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 Great rotation trade turns spotlight on AI winners

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# Qatar's smart home market expected to reach '\$116.7mn' by 2028: Cityscape Qatar report

By Peter Alagos  
 Business Reporter

Qatar's smart home market, valued at "\$68.1mn" in 2024, is expected to reach "\$116.7mn" by 2028, according to a Cityscape Qatar report that delves into several "trends reshaping the future." "The household penetration will be 17.3% this year and 27.6% in four years," stated the report, which discusses how tech-powered homes are transforming everyday life in Qatar. The influx of technological innovations has had a profound impact on the way we live our lives, on so many levels, starting with our homes.



**Qatar's smart home market, valued at "\$68.1mn" in 2024, is expected to reach "\$116.7mn" by 2028, according to a Cityscape Qatar report that delves into several "trends reshaping the future"**

"Smart living is becoming a growing trend, thanks to the convenience and security smart homes offer. In addition, energy-efficient smart homes can also contribute significantly to sustainability," reported Cityscape Qatar, the country's real estate event slated from October 15-17 at the Doha Exhibition and Convention Centre (DECC).

Citing a report by Statista, the Gulf Co-operation Council (GCC) smart home market will generate revenue worth "\$754.9mn" in 2024. In four years, the expected market volume "will be an impressive \$1.16bn." Similarly, Research and Markets also reported that GCC smart home industry-related projects could reach "\$1.1bn" by 2028.

"Based on Statista Market Insights' March 2024 data, security solutions make up the biggest share of the market. The demand for smart appliances and control and connectivity solutions is also strong. There's also growing interest in smart gadgets that aid energy management, under-

scoring the country's commitment to going green," the Cityscape Qatar report stated.

An SNS Insider report highlighted key factors that have been driving the growth of the smart home market. "Smart houses are intended to automate different household appliances and gadgets through the use of an in-built monitoring system, providing occupants with convenience, safety, efficiency, and security.

"Lighting, security, temperature, and audio/video systems may all be monitored and controlled by a single interface system. Smart homes prioritise security, and modern security systems may inform homeowners of intruders and give room-by-room video even when they are not there," the market research firm stated.

In Qatar, smart home solutions providers like QSmart Soug and Al-Tamyeez Security Company are offer-

ing products to help transform Qatari homes, according to Cityscape Qatar. "The most common offerings include a suite of security-enhancing solutions, such as smart locks and surveillance systems. Automation systems designed to control lighting, temperature, curtains and entertainment - are also part of their catalogues.

As these products are often accessible via smartphones, tablets, or voice commands, they help make everyday living more efficient and convenient. However, smart homes aren't just about automating some aspects of domestic life. As stated, they can also promote energy efficiency and support a greener lifestyle," Cityscape Qatar further reported.

Citing initiatives in Qatar, the report stated that the country has been showcasing its commitment to expanding its smart home market over the past years. Apart from the emer-

gence of smart home solutions providers, Qatar has seen global brands with local operations do their part in advancing this market, according to the report.

"For instance, back in 2020, Vodafone Qatar unveiled its Digital Smart Home Consultancy to cater to customers seeking expert advice on smart home technology. The British telecom company has its own array of smart home devices - supported by a Wi-Fi mesh system.

"Through this endeavour, Digital Smart Home Consultants customise smart home setups based on individual customer needs. Meanwhile, earlier in May, Schneider Electric and Msheireb Properties, Qatar's leading sustainable property developer, inked a deal to explore smart city capabilities at Msheireb Downtown Doha," the report stated.

## Qatar's green bond drives other Gulf countries to follow suit: Kamco Invest

By Santhosh V Perumal  
 Business Reporter

Qatar's \$2.5bn green bond has driven the other Gulf Co-operation Council (GCC) countries to scout for sustainable debt, as the aggregate issuances (including the green bonds and sukuks) from the region is slated to breach \$150bn this year, according to Kamco Invest, a regional economic think-tank. "Green bonds remain one of the areas of interest for the GCC issuers with this year's issuance by Qatar government," Kamco Invest said in its latest report. HSBC was one of the arrangers of the green bond and said other countries in the GCC could follow either this year or next. Oman's ministry of finance has already prepared a sustainable finance framework under which it intends to borrow.

Qatar, which started issuance of green instruments after a gap of three years, topped this year with total issuances of \$2.5bn, followed by the UAE and Kuwait with green issuances of \$1.8bn and \$1bn, respectively.

Qatar's debut green deal was allocated into two segments, the first for \$1bn for a five-year period with 30 basis points above the US treasury bonds and the second for \$1.5bn for a 10-year period with 40 basis points.

Qatar's HE the Minister of Finance Ali bin Ahmed al-Kuwari had said Qatar decided to issue green bonds "mainly to send a strong statement" of its efforts to tackle climate change.

The aggregate issuances of green bonds and sukuks in the GCC reached \$6.1bn in the first half (H1) of 2024 compared

with record issuances of \$17.3bn during the whole of 2023.

In terms of type of issuer, governments in the region took the lead with total green bonds issuances reaching \$3.25bn compared to corporate issuances of \$2.8bn. Comparatively, the issuance of green bonds reached \$387bn during H1-2024, according to a Bloomberg report, once again led by an increase in issuances from governments.

Expecting a record year for the GCC as (total) issuances during H1-2024 have already exceeded last year's level; Kamco Invest said: "We expect aggregate issuances to breach the \$150bn mark by the end of the year as corporate issuances are expected to tap the market towards the end of the year as rate cuts are implemented."

Sovereign issuances, meanwhile, are expected to retreat as compared to H1-2024 levels. The remainder of the year would see maturities of \$24.8bn that is almost equally split between governments and corporates, according to the report.

Aggregate issuances during the first six months of 2024 stood at a record high of \$113.7bn, almost double the issuances during H1-2023, Kamco said, adding the increase was mainly led by higher government issuances of \$62.1bn during H1-2024 against \$24.4bn during H1-2023. On the other hand, corporate issuances also increased, albeit at a smaller rate of 46.5% or by \$16.4bn to \$51.6bn during H1-2024.

The aggregate GCC bond issuances went up by 65.2% year-on-year to \$58.5bn in H1-2024. Sukuk issuances, on the other hand, more than doubled with a solid growth to \$55.2bn during H1-2024.

## QSE sees shakers outnumber movers; M-cap adds QR4.68bn

By Santhosh V Perumal  
 Business Reporter

### WEEKLY REVIEW

Earnings expectations and the interim dividend announcements were seen lifting the sentiments in the Qatar Stock Exchange (QSE), which closed this week on a higher note, even as shakers outnumbered movers. The telecom and banking counters witnessed higher than average demand as the 20-stock Qatar Index rose 0.64% this week which saw the International Monetary Fund say that the World Cup has accelerated Qatar's economic diversification into non-hydrocarbon sectors and the newly created infrastructure can be leveraged to chart a new path for diversification in sectors beyond the oil and gas industries for further economic growth. The bullish grip of the Arab individuals was instrumental in lifting the overall mood in the main bourse this week which saw Doha Bank report QR432.33mn net profit in the first half (H1) of 2024. The domestic institutions' weakened net profit booking had its influence in the main market this week, which saw Vodafone Qatar ring in net profit of QR293.17mn in H1-2024. The foreign institutions continued to be net buyers but with lesser intensity

in the main bourse this week which saw Aamal Company's H1-2024 net profit at QR188.36mn. However, the local retail investors were increasingly bearish in the main market this week which saw Commercial Bank closes \$500mn syndicated loan facility. The Gulf funds were seen increasingly into net profit booking in the main bourse this week which saw United Development Company register net profit of QR145mn in H1-2024. The Gulf retail investors were also seen increasingly net sellers in the main market this week which saw a total of 0.01mn Masraf Al Rayan-sponsored exchange-traded fund QETF valued at QR0.09mn change hands across nine transactions. The Islamic index was seen gaining slower than the other indices in the main market this week which saw the banks and



**The telecom and banking counters witnessed higher than average demand as the 20-stock Qatar Index rose 0.64% this week**

consumer goods sectors together constitute about 52% of the total trade volumes. Market capitalisation gained QR4.68bn or 0.81% to QR584.94bn on the back of mid and small cap segments this week, which saw no trading of sovereign bonds. Trade turnover and volumes were on the decline in the main market this week which saw no trading of treasury bills. In the case of venture market, trade turnover and volumes were on a slippery path this week, which saw Baladna report net profit of QR100.42mn in H1-2024. The Total Return Index rose 0.69%, the All Share Index by 0.83% and the All Islamic

Index by 0.24% this week which saw Gulf Warehousing's net profit at QR100.35mn in H1-2024. The telecom sector index shot up 1.73%, banks and financial services (1.59%), insurance (0.33%), industrials (0.17%) and transport (0.02%); while real estate declined 1.67% and consumer goods and services 0.34% this week which saw Lasha Bank announce net profit of QR54.13mn in H1-2024.

Major shakers in the main bourse included QLM, Baladna, QNB, Ooredoo, QIIB, Inma Holding, Qatar Industrial Manufacturing, Industries Qatar and Milaha. In the venture market, Al Mahhar Holding saw its shares appreciate in value this week which saw global credit rating agency Capital Intelligence (CI) affirm Qatar's long-term (LT) foreign currency rating and LT local currency rating at 'AA'. Nevertheless, Ezdan, Doha Bank, Qatari Investors Group, Medicare Group, Woqod, Widam Food, Mesaieed Petrochemical Holding, Qamco, Mazaya Qatar and Nakilat were among the losers in the main market. In the junior bourse, Techno Q saw its shares depreciate in value this week which saw CI forecast that Qatar's short-to-medium-term growth outlook remains "relatively favourable" with real gross domestic product slated to grow by an average of 3.3% in

2024-26. The Arab retail investors turned net buyers to the tune of QR8.47mn against net profit takers of QR12.68mn the week ended July 18. The domestic funds' net selling declined significantly to QR40.71mn compared to QR70.73mn the previous week. However, the local individuals' net profit booking grew substantially to QR56.17mn against QR35.41mn a week ago. The Gulf institutions' net selling expanded marginally to QR29.27mn compared to QR28.74mn the week ended July 18. The foreign retail investors' net profit booking grew marginally to QR11.97mn against QR11.51mn the previous week. The Gulf individuals' net selling shrank strengthened markedly to QR6.08mn compared to QR2.66mn a week ago. The foreign institutions' net buying decreased noticeably to QR135.74mn against QR161.75mn the week ended July 18. The Arab institutions had no major net exposure compared with net profit takers of QR0.02mn the previous week. The main market witnessed a 33% plunge in trade volumes to 545.53mn shares, 29% in value to QR1.45bn and 26% in deals to 58,573 this week. In the venture market, trade volumes tanked 54% to 3mn equities, value by 54% to QR5.91mn and transactions by 38% to 312.





## NatWest boosts forecast, buys £2.5bn loan portfolio

**Bloomberg**  
London

NatWest Group Plc shares soared after it boosted its forecast for full-year revenue as the lending giant continues to reap benefits from stubbornly high interest rates. The company now expects revenue for the year to be around £14bn (\$18bn), up from an earlier forecast of £13bn to £13.5bn, according to a statement yesterday. The move came after the lender generated net interest income and fee revenue in the second quarter that topped analysts' expectations. "It's really been driven a lot by customer activity on both sides of our balance sheet as well as, of course, the absence of rate cuts," Chief Financial Officer Katie Murray said on a conference call with journalists. The new forecast comes as the Bank of England has held off on cutting rates in recent months, buoying NatWest's results. At the start of the year, the lender

had expected the central bank to begin cutting borrowing costs in May and that benchmark interest rates would reach 4% by the end of the year. Now, NatWest expects the Bank of England to only begin reducing rates in the third quarter and the benchmark will drop no lower than 4.75% by the end of 2024. Shares of NatWest soared as much as 9.1% yesterday, making them the best performer in the FTSE 100 Index. The stock had risen 54% this year through the close of trading Thursday. Separately, the company announced the purchase of a £2.5bn portfolio of prime residential mortgages from Metro Bank Holdings Plc for a cash consideration of as much as £2.4bn. Under Chief Executive Officer Paul Thwaite, NatWest has said it's trying to keep a lid on costs even as inflation drives wages and other costs higher. The company said it continues to expect expenses for the year to be broadly stable compared with 2023 excluding several

one-time costs. Expenses for the quarter rose 2.8% to £1.93bn, according to the statement. NatWest has been "taking decisive action" in the quarter to manage costs, Thwaite said. In the quarter, NatWest agreed to buy J Sainsbury Plc's banking business. Britain's second-largest grocer spent months trying to dispose of the division and ultimately agreed to pay NatWest £125mn to take the portfolio of unsecured personal loans, credit-card balances and deposits off its hands. NatWest will continue to look at acquisition opportunities as they arise, Thwaite said on the media call. The UK's new Chancellor of the Exchequer Rachel Reeves is leaning toward offloading a substantial portion of the government's £5.6bn stake in NatWest to institutional shareholders rather than continuing with her predecessor's plans to offer it up to the UK public, Bloomberg News reported this week. Under former Chancellor Jeremy Hunt, UK officials had been formulating plans

to sell the shares the government holds in the bank to retail investors as part of plans to offload the entire stake by 2026. The moves were part of a broader plan to reinvigorate UK capital markets by stimulating consumers' interest in owning British stocks. NatWest has already recorded about £24mn in costs tied to preparatory work it's done for the potential retail stock sale, Thwaite said on the media call. The company expects the government to share its priorities on the sale during its next fiscal event, he said. The government this year has continued to hasten its exit from NatWest and, earlier this month, the government's stake in the lender dropped below 20% for the first time since 2008. That compares with the 38% interest it held in December. "I'm really pleased with the momentum in 2024 in terms of the sell-down of the government holding," Thwaite said. "Returning the bank into private hands, I believe, is in the best interest of all of our shareholders."

## Yen rally is at risk of shattering as soon as next week

**Bloomberg**  
Tokyo

Investors have fallen over each other in recent weeks to buy the yen on bets that interest rates are finally about to tip in Japan's favour. They face a moment of truth as soon as Wednesday. The currency is holding onto an advance of about 5% against the dollar since just before it began surging on July 11, in a move that was amplified by suspected intervention by Japan. Some investors warn that the rally is fragile, as was on show when the yen rapidly retraced gains after stronger-than-expected US economic growth figures.

Swaps markets yesterday suggested a 45% chance of the Bank of Japan (BoJ) hiking rates by 15 basis points by the conclusion of its July 31 policy meeting, indicating plenty of caution. And only 30% of BoJ watchers surveyed by Bloomberg forecast a hike, even if more than 90% see it as risk.

That leaves yen bulls vulnerable, particularly if the BoJ also disappoints expectations for a sizeable cut in bond purchases, or if the Federal Reserve does anything to damp hopes for rate cuts in the US in coming months.

"This is a crazy yen rally," said Nick Twidale of ATFX Global Markets, who has traded Japan's currency for a quarter of a century. "The BoJ could be party poopers and not play their part in tightening policy."

Twidale said that if the BoJ underwhelms the market, carry trades that have kept the yen weak "may come back with a vengeance." Others from BlackRock Inc to former central bank officials are predicting the BoJ will stand pat on interest rates for longer.

Patchy economic data lend credence to this view: while a key gauge tracking the strength of Japan's service sector rebounded in July, a measure of factory activity showed a contraction. Weak consumer spending is further complicating the BoJ's decision next week, people familiar with the matter say.

"If BoJ does nothing, the dollar-yen rate could surge again," said Amir Anvarzadeh, strategist at Asymmetric Advisors who has tracked Japanese markets for over three decades.

The yen swung between small gains and losses Friday. It was up 0.2% at 153.65 per dollar in Tokyo, after inflation figures for Tokyo earlier showed that consumer prices accelerated for a third month.

Nathan Swami, Head of FX Trading for Asia Pacific at Citigroup Inc in Singapore, saw additional demand for bullish yen options after the outsized move this week.

"It is still too early to tell if this signals a longer-term investor sentiment shift, and may thus more likely be a tactical shift in short-term positioning or hedging activities for now," he said.

According to other traders, some hedge funds remained on the sidelines amid uncertainty over how much the currency could gain ahead of next week's BoJ policy meeting.

If the BoJ "doesn't fully deliver," then the yen could weaken towards the 158 level against the dollar, according to National Australia Bank Ltd's Rodrigo Catril.

Yet even if the BoJ does tighten policy on Wednesday, there is still a case for it to retain favour in carry trades, in which investors take advantage of Japan's ultra-low interest rates to borrow in yen to then invest in currencies with higher yields.

The yen's implied yields would still be about 90 basis points lower after a hike than those for the Swiss franc, which is an alternative funding currency for carry trades. US rates risk also abound.

Should the odds of Fed rate cuts retreat, Japan's currency could come under attack once more.

## Great rotation trade turns spotlight on less obvious AI winners

**Bloomberg**  
Shanghai

Signs that equity investors are getting cold feet over the rapid advances in artificial intelligence (AI) leaders have put a spotlight on some less obvious beneficiaries of the technology boom.

A sevenfold surge in shares of Nvidia Corp since the launch of ChatGPT in late 2022 helped drive a megacap-led rally around the world. But concerns over the sustainability of those gains as well as geopolitical tensions and shifts in global monetary policy are now driving a broadening of the market amid a hunt for new drivers.

Investors are selling AI giants to snap up smaller stocks and defensives that had lagged behind. That rotation coincides with the AI theme's expansion to areas beyond chips and software, including the vast amounts of power and land the technology requires as well as what industries may eventually benefit from its implementation.

"Speculatively, we've seen some emergence of AI-related trades outside of tech and communications," though those two groups still dominate, Gina Martin Adams, chief equity strategist for Bloomberg Intelligence, said in a recent webinar. Utilities saw a "bump in optimism in the second quarter related to the idea that AI would command more investment as well as ultimately result in stronger growth."

While tech and communications remain the top two performers on the MSCI World Index year to date — up more than 14% each — they are the two worst performers so far this quarter. The two biggest gainers since the end of June have been real estate and utilities.

Here's a look at the prospects for various sectors:

**Power supply:** The surge in the tech industry's electricity demand is outstripping the available supply in many parts of



Attendees at the MetaX booth at the World Artificial Intelligence Conference in Shanghai (file). Signs that equity investors are getting cold feet over the rapid advances in artificial intelligence leaders have put a spotlight on some less obvious beneficiaries of the technology boom.

the world. The International Energy Agency estimates usage by data centres, AI and cryptocurrency may double to more than 1,000 terawatt-hours in 2026 — roughly equivalent to the power consumption of Japan.

That's put focus on utilities around the world, from Dominion Energy Inc and Southern Co in the US to Southeast Asia's YTL Power International Bhd and Gulf Energy Development.

"We believe that the wide adoption of AI could be a game changer for the power generation industry," said Evgenia Molotova, a senior investment manager at Pictet Asset Management Ltd. "Depending on the rate of adoption, AI can require data centre buildout of two-to-three times the current size of the data centre industry by 2030."

**Equipment:** Transformers — equipment that help deliver electricity from the generator to the user — are in such shortage that if you order one today, you will be lucky to receive it in 2028, according to Ken Liu,

a China utilities analyst at UBS Group AG. That's boosted shares of top transformer makers this year, including General Electric Co., France's Schneider Electric SE and Japan's Hitachi Ltd.

"Energy infrastructure will be a very big theme, and that was even before artificial intelligence, which only adds to the need for more energy consumption," said Philipp Baertschi, chief investment officer at Bank J Safra Sarasin AG. "There will be very good opportunities. Yet one needs to know that these are very cyclical, and there's a lot of volatility."

**Renewables:** The dramatic increase in power usage also raises the spectre of increased pollution, drawing attention to renewable energy shares. Companies involved in solar, hydro, wind and nuclear power have all been mentioned as potential beneficiaries.

China has led the way in terms of the percentage of alternative energy added annually to its national grid, noted Chris Liu, sen-

ior portfolio manager at Invesco Ltd. While the nation's 90% share of global solar cell production is caught in the US and Europe's tariff crosshairs, hydro stocks including China Yangtze Power Co and Sichuan Chuantou Energy Co could see investor attention rise.

The AI angle has also put a spotlight on alternative-energy stocks in other regions, from Dutch turbine maker Vestas Wind Systems A/S to South Korean hydrogen-related firm Doosan Fuel Cell Co.

**Copper:** Even commodities have an AI trade, with copper a key material in electric cables as well as heat exchangers that help cool data centres. Related stocks include Freeport-McMoRan Inc, BHP Group Ltd and China's Jiangxi Copper Co. "Global copper consumption is likely to be 2mn tonnes higher by 2030, with over half from the US, as power-hungry AI fuels data-centre capacity growth," said Bloomberg Intelligence analyst Grant Sporre.

**Data centres:** Data centres are a play on the need for land

to host computing facilities that are close to both power sources and major AI customers. Leading real estate investment trusts that specialize in the field include Equinix Inc, Digital Realty Trust Inc and Singapore-based Keppel DC REIT. Shares of Australian property firm Goodman Group have climbed about 35% this year on the AI boost.

Southeast Asia is seen as a rising AI hotspot, and local telecommunications firms like Telekom Malaysia Bhd and Advanced Info Service PCL in Thailand are looking to data centers as a new growth engine. Philippine telecom PLDT Inc is seeking a valuation of over \$1bn for its data centre portfolio as it weighs a partial sale or REIT listing.

**End users:** Beyond the megacap AI "enablers" and lesser known pick-and-shovel names, some market strategists are focusing on the companies that stand to gain by implementing the technology to improve their businesses.

Morgan Stanley estimates shares of these "adopters" will see an average boost of 27% this year as resulting productivity gains help lift their results. It sees industrials as one of the sectors benefiting the most.

"If you look at the largest market-cap names, it would be companies like Deere & Co, which is leveraging the information that's coming off agricultural equipment to optimise farming," said Katy Huberty, Morgan Stanley's global director of research. She also highlights Paccar Inc, which designs and manufactures large commercial trucks.

AI's ability to analyse large, complicated data sets efficiently is also seen as a boon to the health-care industry, particularly in helping accelerate the drug-development process. Scott Schoenhaus, a healthcare technology analyst at KeyBanc Capital Markets Inc, recommends smaller biotech stocks including Recursion Pharmaceuticals Inc. and Schrodinger Inc on this idea.

## Private equity firms get creative to buy time for more gains

**Bloomberg**  
New York

Private equity firms are using a form of financial engineering to buy more time for wringing returns from their under-achieving investments. Increasingly, their biggest clients are saying "no thanks."

Ares Management Corp weighed the idea, known as a continuation fund, but investors snubbed it earlier this year. New Enterprise Associates had to scale back a similar plan after talking to clients. By one gauge, only a third of the proposed funds have been getting done.

Continuation funds are among a growing array of asset-shuffling tactics that private equity funds are adopting because the normal way of producing payouts — selling assets — has been cramped by a feeble deal market.

In this case, managers slide hard-to-sell assets from an older fund into a brand-new one, akin to shifting an investment from one pocket to another. Meanwhile, the firm enlists new investors to buy into the continuation fund and cash out old clients — some-

times at a discount — while conjuring up a new stream of fees for managers along the way.

Clients don't always see what's in it for them. Data from Evercore Inc shows continuation funds and other complex transactions fashioned by private equity firms fell 25% last year from 2021's record \$68 billion.

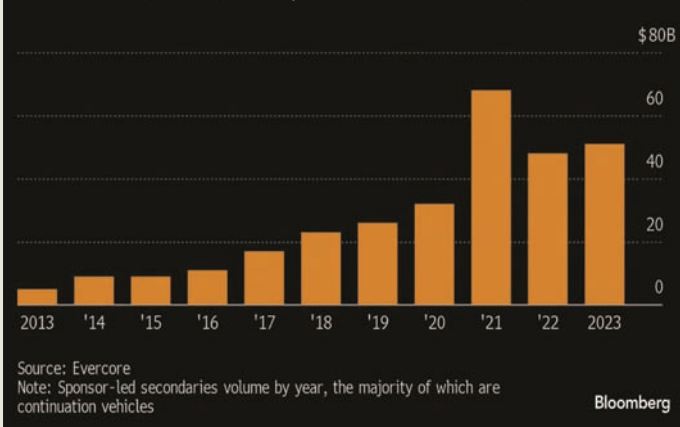
Some investors are balking at how continuation funds seem to reward managers for not getting the job done in time.

"We signed up for a 12-year fund. Now they're asking investors to wait another seven years to get their money back," said Brian Dana, a managing principal at investment advisory firm Meketa Investment Group. "It's strange to me you won't be done in the time you said you would."

Across pension funds and endowment boardrooms, investors are taking a closer and more sceptical look at the contortions that private equity is using to get cash back to investors and drum up fees. The list includes various forms of borrowing such as margin loans, creating new share classes and complex securitisations that layer on leverage and risk, and investors are catching

### Sponsor-Led Secondaries Deals Have Receded

Transactions to extend the ownership on assets hit a record in 2021



on to the full costs. Faced with the choice of whether to roll stakes into a continuation fund or cash out, Dana said his firm typically prefers to take the money and exit. That beats being stuck waiting, he said.

There's also resistance when buyers and sellers disagree over what the fund's assets are worth. With private equity sponsors effectively on both sides of the deal, the proc-

ess is rife with potential conflicts of interest, and more pensions and endowments that bought the original funds are complaining that they're tired of deals where they wind up on the losing end.

Earlier this year, Ares explored rolling some investments from its 2017 vintage Ares Corporate Opportunities Fund into a continuation vehicle to generate distributions. After hearing

out key investors who asked the firm to keep the assets in the existing fund, Ares shelved the deal, people familiar with the matter said.

New Enterprise Associates, a venture capital firm, started exploring a continuation vehicle last year and cut the number of companies in the fund after getting feedback from investors, said people with knowledge of the matter. NEA structured it to mitigate conflicts and align interests, one of the people said.

Only about a third of continuation funds that are contemplated are actually completed these days, down from about 80% in 2018, when the market was a lot smaller and newer, according to Jon Costello, founder and managing partner of Devon Park Advisors. "Probably two-thirds should get done," he said, but there's not enough capital available to meet the demand from private equity firms for such deals. "The last third probably shouldn't have been brought to market."

Managers typically sell investors on continuation funds with a simple pitch: By holding on to an asset for longer, they can maximize returns over the long haul.

The reality can be more murky. Many sponsors turn to a continuation fund only after they explored other routes to a sale that wouldn't have produced a profit.

New investors that back continuation funds are typically firms that specialize in buying second-hand stakes. These so-called "secondaries" firms typically drive a hard bargain and seek discounts. They occasionally come together as a consortium, with the lead buyer speaking for about 25% to 30% of the deal.

Sometimes, though, there just isn't enough demand to make a continuation vehicle worth it.

The vast majority of the original investors in the asset typically opt to take their cash and not participate in the continuation fund. Some pensions can't easily commit to a continuation fund without going through layers of decision-makers.

What's more, certain deals allow managers to reap carried interest, the industry's favoured form of compensation, simply by moving it from one of their funds to another. Pensions and endowments say managers deserve profits only after exiting a business or taking it public.



# Singapore central bank keeps policy unchanged for a fifth straight time

**Bloomberg**  
Singapore

Singapore's central bank kept its monetary policy settings unchanged for a fifth straight time in a widely anticipated move and reiterated that inflation will cool to about 2% in 2025, opening the window slightly for easing to begin next year.

The Monetary Authority of Singapore (MAS), which uses the exchange rate as its main policy tool rather than interest rates, maintained the slope, width, and centre of the currency band, it said in a statement yesterday. That will keep the local dollar on an appreciating path to blunt imported inflation.

"Current monetary policy settings remain appropriate," it said, extending a pause after five rounds of tightening between October 2021 and 2022. It followed data earlier this month of the city-state's slowest core inflation in more than two years and faster-than-expected economic growth. The MAS decision comes ahead of rate reviews by the US Federal Reserve and Bank of Japan next week.

With the statement suggesting that the MAS is likely to keep policy unchanged this year, Singapore's dollar held steady at 1.34 against the greenback.

"Overall, the statement is balanced," said Khoo Goh, head of Asia research at Australia & New Zealand Banking Group. "There is nothing here to signal that an October move is pending. I maintain my view that easing is a 2025 story." "Barring renewed shocks to costs, core inflation should step down more discernibly" in the



The Monetary Authority of Singapore. Singapore's central bank kept its monetary policy settings unchanged for a fifth straight time in a widely anticipated move and reiterated that inflation will cool to about 2% in 2025, opening the window slightly for easing to begin next year.

fourth quarter, the central bank said. It reiterated a forecast during its July 18 annual report that price gains will slow "further to around 2% in 2025" after averaging 2.5-3.5% this year.

The central bank said it expects headline inflation to come in between 2-3% this year, lower than the 2.5-3.5% range seen previously. Since its last decision in April, data showed Singapore's economic recovery has gained momentum in the second quarter while core inflation, which is tracked by the MAS, eased below 3% in June after staying stuck for three straight months. Slowing price gains allows policymakers the room to keep monetary settings conducive to support economic growth amid rising geopolitical tensions.

The MAS kept a "two-sided inflation risk outlook," said Selena Ling, chief economist at Oversea-Chinese Banking Corp Ltd. "This affords maximum flexibility for the upcoming policy meetings while awaiting the more significant step-down in core inflation" in the fourth quarter.

Ling pointed to a sentence in yesterday's statement which suggests policymakers "are monitoring the sequential pace of change for core inflation, so October window may really be open" for easing policy. Her baseline scenario is for 2025, though.

Brian Tan, a senior regional economist for Asean at Barclays Plc, reckons the 2% core inflation forecast is "notable," adding he expects "policymakers would

continue to see little need to ease or tighten" the Singapore dollar's nominal effective exchange rate, or S\$NEER, band parameters in the near term.

"With growth seen strengthening even further in the second half of the year, the central bank is likely to maintain its tight settings through year-end," says Tamara Mast Henderson, economist at Bloomberg.

The MAS, which guides the local dollar against a basket of its major trading partners and adjusts the pace of its appreciation or depreciation by changing the slope, width and centre of the currency band, also reiterated its expectation for economic growth to come closer to the upper half of a 1-3% range forecast for this year.

# Asia markets make battling recovery from tech rout

**AFP**  
Hong Kong

Investors fought back yesterday after a tech-fuelled sell-off, taking heart from forecast-beating US growth data that indicated the economy was still in rude health, but did not dent hopes for an interest rate cut. The positive performance came despite more losses on Wall Street, where the so-called "Magnificent Seven" heavyweights — which have been key to this year's markets surge — suffered more selling as investors swapped out of them and into cheaper, small caps. However, Taipei had a rough start as it reopened after being closed for two days by a typhoon, with chip giants including TSMC tanking as traders played catch-up with the recent rout, which was sparked by disappointing earnings from Tesla and Google-parent Alphabet. Figures showing the US economy expanded far more than expected in the second quarter — and much quicker than the previous three months — provided a much-needed boost to sentiment and eased concerns that it was slowing a little too much for comfort. The data was largely consumer-led, even while interest rates remain at two-decade highs and inflation is elevated. However, the S&P 500 and Nasdaq both fell, with tech titans Nvidia, Microsoft, Amazon, Apple and Facebook owner Meta well in the red. Attention now turns to personal consumption expenditure figures, which are due later in the day. The data is the Federal Reserve's preferred gauge of inflation and could give the central bank more room to cut borrowing costs. A string of readings in recent

months and dovish comments from Fed officials have seen bets on a September move soar, while some investors are also eyeing another one before January.

"The big picture is that the US economy has continued its gradual deceleration from last year, so there is no urgency for the Fed to start a new easing cycle as soon as next week," said National Australia Bank's Rodrigo Catril. "But looking ahead there are several indicators that suggest further cooling should be expected."

"For instance, intentions surveys suggest a pullback in capital expenditure is coming while a decline in income alongside rising unemployment point to an (easing) in consumption ahead." Asian markets opened with big gains but some tailed off as the day wore on.

Hong Kong, Sydney, Singapore, Seoul, Manila, Mumbai, Bangkok and Jakarta rose along with London, Paris and Frankfurt. Tokyo and Wellington edged down.

Taipei plunged more than 3% as traders returned from their imposed typhoon break, with chip makers leading the losses. Market titan TSMC dived more than 5%, while ASE Technology plunged almost 10%, MediaTek more than 2% and Realtek more than 1%.

The selling followed a similar story for Asian tech firms on Thursday.

Now there are some worries that the eye-watering surge in the sector, which has been fanned by a frenzy to snap up artificial intelligence-linked firms, may have run its course and could be set for a pullback.

"Disappointing earnings reports from Tesla and Alphabet have overshadowed what was once an AI-fuelled euphoria," said analyst Stephen Innes.

# China's Iranian crude imports find new market in northeast

**Reuters**  
Singapore

Imports of Iranian crude have been flowing into the port and refining city of Dalian since late last year, tanker tracking firms and trading sources said, helping sustain the country's purchases of the oil at near record levels.

The shift has happened as demand for Iranian crude from small buyers in the independent refining hub of Shandong province has waned in the face of deteriorating refining margins, squeezed by higher crude prices but weaker-than-expected fuel

demand, traders said. They have been Iran's main buyers in China since 2019.

Iran, including its oil, is subject to US sanctions, reinstated in 2018 over concerns about its nuclear programme. But China did not stop buying Iranian oil, with margin-driven independent plants filling a vacuum left by sanctions-wary state firms, Reuters has reported.

Vortexa, a consultancy that tracks tanker flows, said 23 cargoes, or a total of 45mn barrels, of Iranian oil was discharged at Dalian between October 2023 and June 2024.

It said this included 28mn barrels discharged at Changx-

ing island, about 85km (53 miles) northwest of central Dalian.

Another consultancy, Kpler, estimated China imported 34mn barrels into Dalian during the same period.

The figures equate to 124,000-164,000 barrels per day (bpd), roughly 13% of China's total Iranian oil imports during the first half of 2024.

Analysts estimate China imported 1.2-1.4mn bpd of Iranian crude during the period. Vortexa said the imports hit a record 1.52mn bpd last October.

When asked about the Dalian imports, China's foreign ministry told Reuters that China and Iran "have always maintained normal

and legitimate trade under the international legal framework." China says it opposes unilateral sanctions. Still, tanker trackers and dealers say that traders rebrand Iranian oil destined for China as originating from elsewhere, such as Malaysia, Oman or the United Arab Emirates.

Officially, Chinese customs have not reported any imports of Iranian oil since June 2022.

There are four possible destinations for the Dalian shipments — Hengli Petrochemical's 400,000-bpd refinery complex and 44mn-barrel storage farm, two refineries run by state-giant PetroChina, and a 30mn-barrel storage base operated by the Li-

aoing Port Authority at Changxing island.

There is no pipeline connecting the state facility to refineries outside Dalian, traders said.

Three senior trading sources close to Hengli said the company bought at least some of the shipments.

One of the sources estimated Hengli had bought 4mn barrels a month during the first few months of 2024. Another said the purchases were 4-6mn barrels a month.

Vortexa said Hengli was a buyer of Iranian crude shipments, based on its tanker tracking information and analysis.

A Hengli spokesperson said the

company had not bought Iranian oil.

PetroChina, like China's other big state crude buyers, stopped buying Iranian oil around 2018/2019, traders and other industry experts have said.

PetroChina, Asia's largest oil-and-gas producer, did not respond to a request for comment.

The Liaoning Port Group and its unit Liaoning Port Co Ltd did not respond to emailed requests seeking comment.

Before last October, Dalian, which accounts for 6% of China's crude processing capacity, had received only sporadic Iranian oil shipments in recent years, according to Vortexa and Kpler.

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## US inflation rises moderately, consumer spending cools

Reuters  
Washington

US prices increased moderately in June as the declining cost of goods tempered a rise in the cost of services, underscoring an improving inflation environment that could position the Federal Reserve to begin cutting interest rates in September. The report from the Commerce Department yesterday also showed consumer spending slowed last month. Signs of easing price pressures and cooling demand could boost the confidence of Fed officials that inflation is moving toward the US central bank's 2% target.

"Inflation continues to moderate and is slowing approaching the Fed's target," said Jeffrey Roach, chief economist at LPL Financial. "At the upcoming meeting, we should expect the Fed to highlight the slowdown in hiring as one reason to cut rates at the September meeting." The Fed will hold its next policy meeting on July 30-31. The personal consumption expenditures (PCE) price index nudged up 0.1% last month after being

unchanged in May, the Commerce Department's Bureau of Economic Analysis reported. Goods prices dropped 0.2% after falling 0.4% in May. Prices for motor vehicles and parts declined 0.6%. Furnishings and durable household equipment prices dropped for a third straight month, but the cost of other long-lasting manufactured goods rebounded 1.8%. Prices for gasoline and other energy goods decreased 3.5% after falling 3.4% in May. Clothing and footwear were cheaper for a second straight month.

But the cost of services increased 0.2%, matching May's gain. There were increases in the costs of housing and utilities, though the pace slowed from prior months. Financial services and insurance costs also rose, but prices for transportation services dropped for a third straight month. In the 12 months through June, the PCE price index climbed 2.5%. That was the smallest year-on-year gain in four months and followed a 2.6% advance in May.

Excluding the volatile food and energy components, the PCE price index rose 0.2% last month. That followed an

unrevised 0.1% gain in May. In the 12 months through June, the so-called core PCE inflation advanced 2.6%, matching May's rise.

Economists polled by Reuters had forecast both monthly headline PCE and core inflation would rise 0.1% in June. Following the release on Thursday of gross domestic product data showing core inflation rising slightly faster than expected in the second quarter, some economists raised their core PCE price index estimate to 0.2%. Forecasts for headline PCE inflation were little changed.

Demand in the economy has cooled in response to the Fed's aggressive monetary policy tightening in 2022 and 2023. Economic growth averaged 2.1% in the first half of this year compared to 4.2% in the second half of 2023. US Treasury yields were trading lower after the release of the inflation data, while the dollar was slightly lower against a basket of currencies. The US central bank has maintained its benchmark overnight interest rate in the current 5.25-5.50% range since last July. It has hiked its policy rate by 525 basis points since 2022.

## Russian central bank hikes key rate to fight inflation

Reuters  
Moscow

Russia's central bank hiked its key interest rate by 200 basis points to 18% yesterday as it grapples with high inflation and an overheated economy, bringing the cost of borrowing to its highest in more than two years.

The regulator also revised its inflation forecast for 2024, raising it to 6.5-7.0% and signalled it may increase rates further. It sees annual inflation declining to 4.0-4.5% in 2025, in line with its target of 4%.

The market was expecting the hike, a Reuters poll of economists showed, though some dissenting voices in the Russian elite had favoured a more dovish approach.

The key rate is now at its highest since April 2022. The Bank of Russia raised rates to 20% in an emergency move

soon after the Kremlin sent Russian troops into Ukraine in February 2022.

"Inflation has accelerated and is developing significantly above the Bank of Russia's April forecast. Growth in domestic demand is still outstripping the capabilities to expand the supply of goods and services," the bank said in a statement.

"Returning inflation to the target requires considerably tighter monetary conditions than presumed earlier. The Bank of Russia will consider the necessity of further key rate increase at its upcoming meetings," the central bank added.

Governor Elvira Nabiullina is due to address the media at 1200 GMT. The next rate decision is scheduled for Sept 13.

The central bank noted an "upward deviation of the Russian economy from a balanced growth path" and

pointed to labour shortages and continued expansion of retail and corporate lending as key factors behind high inflation.

The central bank raised its forecast for GDP growth in 2024 to 3.5-4.0% from a previous forecast of 2.5-3.5%. It did not mention the term "overheating", used by many economists to describe the current state of the economy, in its announcement.

Just before the rate announcement, the Kremlin said that there were "various views regarding the overheating of the economy". It added that "necessary measures are being taken".

The Bank of Russia raised rates by 850 basis points in the second half of 2023, including an unscheduled emergency hike in August as the rouble tumbled past 100 to the dollar and the Kremlin called for tighter monetary policy.

## Digital trade deal advances but US still not on board

AFP  
Geneva

Efforts to draw up global digital trade rules advanced yesterday when dozens of nations wrapped up negotiations with a draft text, but more talks will likely be necessary as the US and several other countries are still not on board.

Protections for online consumers, digitalisation of customs procedures and recognition of electronic signatures figure among the measures laid out in the text aimed at promoting and facilitating digital transactions.

European trade chief Valdis Dombrovskis hailed the text as "historic", writing on social network X that countries had "negotiated the first global rules on digital trade". "This will facilitate e-transactions, boost innovation, and integrate developing countries into the digital economy," he said.

Once in place, the deal "will make trade faster, cheaper, fairer and more secure", Britain said in a statement. Digital commerce is growing far faster than its traditional counterpart. The OECD group of economically developed nations says it estimated that in 2020, e-commerce already made up a quarter of global trade, making it worth just under \$5tn. Despite its growing importance, "no common set of global rules exist", said British Trade Secretary Jonathan Reynolds.

Finalising the negotiations "is a huge step forward in correcting that and ensuring British businesses feel the benefit".

The talks were launched in 2019, with around 90 negotiating countries - representing 90% of the WTO membership - including heavy-hitters like the US, the European Union and China.

Australia, Japan and Singapore, which have jointly been leading the Initiative on Electronic Commerce talks, presented a joint statement during a closed-door meeting at the WTO confirming that "after five years of negotiations, participants had achieved a stabilised text".

But actual implementation of a deal could still be years off.

A small number of negotiating countries have yet to sign on, including the US, Brazil, Indonesia and Turkey, the declaration said.

"The text released today...represents an important step forward for the WTO in a sector of growing importance to the global economy," US ambassador and Deputy US Trade Representative Maria Pagan said in a statement.

But the US considers that "the current text falls short and more work is needed", she said, pointing in particular to an "essential security exception".

The co-conveners of the talks have in recent months stressed the importance of landing a deal, stressing it could facilitate electronic transactions, promote digital trade and foster an open and trusted digital economy.

"This would be the first-ever set of baseline digital trade rules," Singapore's ambassador to the WTO Tan Hung Seng said in April. "It would contribute to the growing e-commerce in our countries by providing greater legal predictability and certainty, against the backdrop of increasing regulatory fragmentation," he said.

In Friday's statement, UK Science Secretary Peter Kyle said the agreement aimed "to help people use technology safely by protecting them from fraud, while driving economic growth through the digitalisation of trade so it's faster and more secure".

## Fed seen signalling September rate cut at next week's meeting

Bloomberg  
Washington

The Federal Reserve is likely to signal next week its plans to cut interest rates in September, according to economists surveyed by Bloomberg News, a move they say will kick off reductions each quarter through 2025.

Nearly three-quarters of respondents say the US central bank will use the July 30-31 gathering to set the stage for a quarter-point cut at the following meeting in September. They're divided, however, about how policymakers will do so.

Half of respondents see officials signalling the upcoming move with both the policy statement and Fed Chair Jerome Powell's press conference 30 minutes later, but others anticipate the Fed to use one method or the other. All respondents expect the Fed to keep rates unchanged at a more than two-decade high at next week's meeting.

The survey of 47 economists was conducted July 22-24, following President Joe Biden's withdrawal from the presidential election.

In recent weeks, Fed officials led by Powell have said the labour market has come into balance and inflation has resumed falling towards the central bank's 2% target, suggesting they see a growing case for lowering borrowing costs. They are now putting emphasis on the central bank's goal of maximum employment as well as stable prices when deciding on policy.



The Federal Reserve building in Washington. The Fed is likely to signal next week its plans to cut interest rates in September, according to economists surveyed by Bloomberg News, a move they say will kick off reductions each quarter through 2025.

"I do believe we are getting closer to the time when a cut in the policy rate is warranted," Fed Governor Christopher Waller said last week. Chicago Fed President Austan Goolsbee warned that monetary policy has become increasingly restrictive with inflation falling, while "the economy's not overheating."

Nearly two-thirds of Fed watchers expect the Federal Open Market Committee to say in the post-meeting statement that officials have gained some additional confidence inflation is moving to its target - a step toward cutting.

More than a quarter of economists, however, see no signalling

of rate adjustments at the July meeting. Instead, the message could be firmed up in the weeks that follow, including during the chair's annual speech in Jackson Hole, Wyoming in late August.

The economists' median view for interest-rate cuts in September and December is slightly less aggressive than markets, which put better than even odds of 75 basis points of cuts this year. Some investors are even betting on an initial half-point cut, but economists see the odds of that as an unlikely 20%.

Such a move would likely be spurred only if labour market conditions, now viewed as strong but

less overheated, were seen deteriorating.

While the unemployment rate remains relatively low at 4.1%, it has now edged higher in each of the last three months. It's up from a low of 3.4% in early 2023, raising some concerns about recession risk. The July jobs report will be released next week.

"The labour market has been cooling for a while - the deterioration isn't sudden. Given its dual mandate, the Fed is likely behind the curve on cutting rates. As such, we expect the unemployment rate to reach 4.5% by the end of 2024," says Anna Wong, chief US economist at Bloomberg.

## Treasuries rally as data backs case for a September rate cut

Bloomberg  
Washington

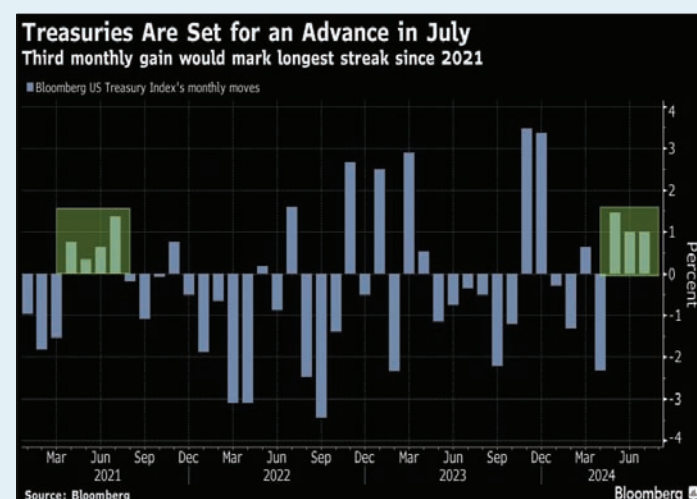
Treasuries are rising at the end of a volatile week as the Federal Reserve's favourite inflation gauge cemented traders' expectations for an interest-rate cut in September. The advance pushed yields lower across the curve yesterday, with two- and 10-year yields down by about five basis points to 4.38% and 4.2%, respectively. US government debt is on pace for a third-straight month of gains, according to data compiled by Bloomberg, the best streak since mid-2021.

Interest-rate swaps show traders expect the US central bank to keep rates steady next week, then kick off an easing cycle at the September gathering. In all, they are fully pricing in at least two quarter-point reductions this year. A rate cut in September "seems on track," and there's "nothing to upset the apple cart," said Lindsay Rosner, head of multi-sector fixed income investing at Goldman

Sachs Asset Management. "We've been advocating for extending duration for some time now. The data has been reinforcing" it, she said.

A year after the Fed pushed the benchmark rate to a two-decade high, inflation and the labour market are finally showing signs of cooling. The Fed's preferred measure of underlying US inflation rose at a tame pace in June and consumer spending remained healthy, according to data released yesterday. Rosner called it a "super-tame and in-line economic print." US consumer sentiment, meanwhile, eased in July to an eight-month low as high prices continued to weigh on attitudes about personal finances.

The economic releases tee up next week's US central bank gathering that has already garnered attention from well-known prognosticators. In separate Bloomberg Opinion columns, former New York Fed president William Dudley said policymakers should reduce rates at the July gathering, and Mohamed El-Erian warned of a



"policy mistake" if the central bank keeps rates too high for too long. "Bond investors can continue to be bullish given PCE figures suggest a soft landing. With 2.5% PCE precipitating as many as three rate cuts this year, that also leaves the curve steeper trade intact, with less than 20 basis points left for the curve to uninvert from 2-10 years,"

says Edward Harrison. Shorter-term Treasuries led the rally in recent days, extending the recent trend of pushing the yield curve steeper. Two-year yields have fallen 12 basis points this week, and touched 4.34%, the lowest since February. In comparison, 10-year yields fell four basis points this week, while

30-year yields were little changed at 4.45%. The tepid bids in long-term bonds - a traditional safe haven - stand out in a week when risky assets wobbled and wiped out \$2tn in stock market valuation globally. After staying upside-down for more than two-years, the yield curve is becoming less inverted. At about 4.4%, the two-year yields are only 18 basis points higher than 10-year rates, compared with about 50 basis points a month ago. The so-called steepener trade has quickly become the favoured wager in the bond market since Donald Trump emerged as the favourite to win the presidential election in November. The idea is that the Republican candidate may impose tariffs and tax cuts, a policy mix that may fan inflation and deficit concerns. While his odds in betting markets have slipped since President Joe Biden ended his re-election bid to endorse Kamala Harris as the Democratic nominee, the trade still has momentum as rate-cut expectations build up and pushed short-term rates to outperform.

"We already start to see 10-year Treasury decoupling from the Fed rate cut expectation," said Tracy Chen, portfolio manager at Brandywine Global Investment Management. "This means the bond supply pressure starts to wear down 10-year pricing. We believe curve steepening will play out from here." Interest-rate swaps have priced in five quarter-point cuts in the next six policy meetings after the July gathering. It was reminiscent of the episode earlier this year when traders bet on rate cuts aggressively, only to be disappointed as the economy showed resilience. The aggressive rate pricing has left some investors reluctant to chase the bond rally. "The market seems to be in a rush to price in too many cuts," said Subadra Rajappa, head of US rates strategy at Societe Generale. "That said, it's hard to fade the momentum as the market is likely to over-react to weakness in the data. I'd be a bit more cautious and neutral ahead of a busy data week."