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ECB cuts its key rates again as Lagarde backs EU reform call

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GULF TIMES
BUSINESS

VOLATILITY GALORE : Page 3

Here's what the Harris-Trump showdown means for US stocks

HE the Qatar Central Bank Governor Sheikh Bandar bin Mohammed bin Saoud al-Thani presiding over the 83rd GCC Central Banks Governors' Committee meeting hosted by Qatar in Doha yesterday. ***Right:*** HE Sheikh Bandar with GCC central bank governors who attended the meeting.

GCC economies are competitive on global stage due to 'robust' economic infrastructure, says Sheikh Bandar

By Pratap John
Business Editor

GCC economies are now competitive on the global stage owing to their robust economic infrastructure, which ensures financial stability, investment security, and attracts foreign capital, according to HE the Qatar Central Bank Governor Sheikh Bandar bin Mohammed bin Saoud al-Thani.

He was presiding over the 83rd GCC Central Banks Governors' Committee meeting hosted by Qatar in Doha yesterday.

Sheikh Bandar underscored the critical need to continue strengthening collaborative efforts among GCC member states to achieve shared goals and visions.

"The enhancement of co-operative ties and joint efforts has had a profound impact on realising our collective objectives and visions under the GCC framework. The social and economic indicators across the member states have shown remarkable improvement," he noted.

The QCB governor called for concerted efforts to sustain the high standing achieved by the GCC financial sector while adapting to evolving global economic conditions.

He lauded the GCC Central Bank Governors Committee's role in bolstering the Gulf economies.

"As a cornerstone in shaping the economic landscape of the Gulf and a staunch advocate for financial stability, our committee has been instrumental in driving the region's banking sector. Through the co-ordination and implementation of numerous pioneering financial and banking initiatives and the enactment of critical legislation, we have significantly advanced the financial system. This has transformed GCC banks into exemplars of innovation and excellence, enhancing their global stature and establishing them as formidable competitors in the international financial arena."

He also stressed the need for efficiently addressing emerging challenges and risks, particularly in light of rapid growth and the shift towards a knowledge-based digital economy.

The expansion of financial technology, which supports financial sector growth, requires a strong foundation based on continuous communication, experience sharing, and heightened public awareness of these challenges.

Establishing proactive regulatory and supervisory frameworks is essential to keep pace with changes and ensure ongoing stability, the governor said.

Sheikh Bandar lauded the "impactful role of the astute policies and judicious guidance" provided by the leaders of GCC nations. These directives have been instrumental in fostering regional stability and growth.

The QCB governor also acknowledged the diligent efforts of the GCC Secretariat General in facilitating the optimal conditions for convening the Central Bank Governors Committee meetings and overseeing the implementation of its resolutions.

He commended the preparatory committee members for their productive work during their initial meeting held in Doha in August. This session addressed various crucial issues, including both current and forthcoming initiatives in the GCC's strategic plan for the Central Bank Governors Committee for the 2023–2027 period. The committee also presented a series of recommendations for further deliberation and decision-making.

Qatar, Uzbekistan chambers bolster co-operation ties

Qatar Chamber board member Ali bin Abdellatif al-Misnad has participated in the meetings of the International Road Transport Union (IRU) held recently in Uzbekistan's capital of Tashkent.

Meetings included one of the IRU Commission on Customs Affairs (CAD) and the International Conference titled 'International Road Transport: Driving Resilience and Prosperity. The Road Ahead: 75 Years of TIR'.

Over 140 representatives from national transport associations attended the event, where they discussed the current transportation and transit challenges and ways to streamline transit procedures further and advance fully digital transport operations.

Al-Misnad, who is also the president of the Qatar Association for Freight Forwarding and Logistics, held a meeting with Uzbekistan Chamber of Commerce and Industry chairman Davron Vakhabov on the sidelines of the conference. Held at the chamber's headquarters, the meeting reviewed ways to enhance co-operation between both entities in a way that strengthens economic and commercial relations between Qatari and Uzbekistan business sectors.

The meeting further discussed the investment climate and opportunities available on both sides and the significance of establishing joint ventures between business owners from both countries. It also highlighted Qatar's strong desire to become a hub for the Uzbekistan trade due to its prime geographical position in the region.

Al-Misnad lauded the two countries' close relations, noting that their trade volume is still below expectations, but he expressed a common desire from both sides to further develop their trade and investment co-operation for the advantage of both economies.

Qatar Chamber board member Ali bin Abdellatif al-Misnad and Uzbekistan Chamber of Commerce and Industry chairman Davron Vakhabov on the sidelines of the conference.

Qatar records 8% growth in building permits issued in August, says NPC

By Santhosh V Perumal
Business Reporter

Signalling a rosy picture for the construction sector, Qatar saw an 8% year-on-year rise in building permits issued in August 2024, according to the official data.

This annualised overall expansion comes amidst double-digit growth in building permits issued in four of the eight municipalities, according to the National Planning Council (NPC).

The NPC data supports the Qatar Financial Centre's latest PMI (purchasing managers' index) survey that suggested strong momentum of the non-oil private sector, particularly in construction.

A total of 721 building permits were issued in August this year with Al Rayyan, Al Daayen and Doha constituting 70% of the total.

Total building permits issued in Al Shahaniya reported a 64.3% growth on a yearly basis in August 2024, followed by Al Rayyan (46%), Al Daayen (34.9%), Al Shamal (14.3%) and Umm Slal (2.1%); even as Al Wakra saw 28.4% plunge, Doha (19.1%) and Al Khor (2.4%).

The building permits data is of particular importance as it is considered an indicator for the performance of the construction sector, which in turn occupies a significant position in the national economy.

Of the total number of new building permits issued, Al Rayyan constituted 235 permits or 33% of the total, Al Daayen 147 (20%), Doha 123 (17%), Al Wakra 96 (13%), Umm Slal 49 (7%), Al Khor 40 (5%), Al Shahaniya 23 (3%) and Al Shamal 8 (2%) in the review period.

On a monthly basis, the total building permits issued in the country fell 3% with Al Shamal registering 53% plunge, Doha and Al Khor (23% each), Al Shahaniya (4%), Al Daayen (3%) and Al Wakra (2%); but Al Rayyan and Umm Slal saw 22% and 2% jump respectively this August.

The new building permits (residential and non-residential) constituted 39% (283 permits) of the total issued in August 2024, additions 58% (419 permits) and fencing 3% (19 permits). Of the 233 new residential buildings permits, villas topped the list, accounting for 86% (201 permits) of the total, apartments 13% (31) and other residential buildings 1% (one permit).

Among the non-residential sector, service/infrastructure buildings accounted for 46% (23 permits); industrial buildings as workshops and factories 36% (18 permits) and commercial structures and mosques 8% (four permits).

Qatar saw a strong 5.7% year-on-year decline in the total building completion certificates issued in August 2024 with Al Shamal witnessing a 50% plunge, Umm Slal (48.9%), Al Daayen (33.8%) and Al Rayyan (27.8%); while Al Khor saw 80% surge, Al Wakra (64.4%) and Doha (15.2%).

Qatar saw a total of 362 building completion certificates issued in August 2024, of which 320 or 88% was for the new buildings (residential and non-residential) and 42 or 12% for additions.

Of the total number of new building completion certificates issued in the review period, Al Wakra constituted 23% or 120 certificates, Al Rayyan 23% or 83, Doha 15% or 53, Al Daayen 13% or 47, Umm Slal 6% or 23, Al Shahaniya 3% or 12 and Al Shamal 2% or six certificates .

Of the 237 residential buildings completion certificates issued, as many as 201 or 83% were for villas and 31 or 12% for apartments.

Of the 237 villas completion certificates issued this August, as many as 74 were in Al Rayyan, 44 in Al Daayen, 28 in Al Wakra, 23 in Umm Slal, 13 in Al Khor, 12 in Doha, six in Al Shahaniya and one in Al Shamal.

In the case of 31 apartments, as many as 19 certificates were issued for Doha, seven for Al Rayyan, three in Al Daayen, and one each in Al Wakra and Al Shamal.

Banking sector surge lifts QSE 150 points; M-cap adds QR9.78bn

By Santhosh V Perumal
Business Reporter

Ahead of the US Federal Reserve's decision on rate cut next week, the Qatar Stock Exchange yesterday saw brisk buying, especially at the banking counter, leading its key index to surge more than 150 points to inch towards 10,400 levels and capitalisation add almost QR10bn.

The Gulf institutions were increasingly net buyers as the 20-stock Qatar Index gained 1.47% to 10,398.32 points although the index touched an intraday high of 10,444 points.

The Arab retail investors were also increasingly bullish in the main market, whose year-to-date losses truncated to 3.99%.

About 77% of the traded constituents extended gains to investors in the main bourse, whose capitalisation added QR9.78bn or 1.65%, to QR602bn on the back of large and midcap segments.

The foreign individuals were seen increasingly net buyers in the main market, which saw 0.07mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.3mn trade across 23 deals.

The foreign institutions' substantially weakened net profit booking had its influence on the main bourse, which saw no trading of treasury bills.

The domestic funds continued to be bullish but with lesser intensity in the main market, which saw no trading of sovereign bonds.

The Islamic index was seen gaining slower than the other indices in the main bourse, whose trade turnover and volumes were on the increase.

The Total Return Index shot up 1.47%, the All Share Index by 1.64% and the All Islamic Index by 0.68% in the main market.

The banks and financial services sector index soared 2.94%, realty (1.15%), consumer goods and services (0.58%), telecom (0.3%) and industrials (0.28%); while transport and insurance declined 0.14% and 0.08% respectively.

Major gainers in the main bourse included QNB, Commercial Bank, Qatar Islamic Bank, Qatar National Cement, Barwa, Mesaieed Petrochemical Holding, Qatar Electricity and Water, Mazaya Qatar, Ezdan and Vodafone Qatar.

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

Nevertheless, Ahlibank Qatar, Milaha, Qatar Electricity and Water, Meeza and Qatar Insurance were among the losers in the main market. In the junior bourse, Al Mahhar Holding saw its shares depreciate in value.

The Gulf institutions' net buying increased substantially to QR28.8mn compared to QR12.3mn on September 11.

The Arab retail investors' net buying strengthened noticeably to QR4.92mn against QR0.31mn the previous day.

The foreign individual investors' net buying grew perceptibly to QR3.85mn compared to QR0.82mn on Thursday.

The foreign institutions' net profit booking decreased drastically to QR12.95mn against QR56.78mn on September 11.

However, the local individuals were net sellers to the extent of QR34.98mn compared with net buyers of QR13.04mn the previous day.

The Gulf individual investors' net profit booking expanded markedly to QR3.03mn against QR0.34mn on Thursday.

The domestic funds' net buying shrank considerably to QR13.38mn compared to QR30.68mn on September 11.

The Arab institutions had no major net exposure for the 10th straight session.

Trade volumes in the main market shot up 35% to 168.32mn shares, value by 44% to QR513.48mn and transactions by 18% to 17,363.

The venture market saw a 23% surge in trade volumes to 0.16mn equities, 40% in value to QR0.42mn and 55% in deals to 17.

GCC banks' profitability to stay stronger over next 12-18 months: Moody's

By Santhosh V Perumal
Business Reporter

The profitability of Islamic banks in Gulf Co-operation Council (GCC) will remain stronger over the next 12-18 months, according to Moody's, an international credit rating agency.

"This will be supported by their focus on higher margin retail lending and strong business activity as a result of government economic diversification agendas," Moody's said in its latest report.

The economic growth in the GCC will continue to provide supportive operating conditions for Islamic banks during the next 12-18 months as the non-oil economy – where banks conduct the bulk of their lending activity – will remain strong as a result of governments' economic diversification agendas, it said.

The GCC Islamic banks will also maintain strong capital and liquidity, which will allow them to capitalise on the growing demand for Shariah-compliant financial services in the Gulf region.

Sustained economic growth, governments' commitment to the promotion of the broader Islamic finance industry and growing demand for Shariah-compliant products across the GCC region will continue to drive Islamic financing growth, which will outpace that of conventional peers, it said.

"While there is ample capacity for organic growth we also expect continued industry consolidation as the sector seeks to improve revenue generation and cut costs," Moody's said, expecting more Islamic banks to pursue mergers, particularly of smaller banks crowded out by large competitors.

Highlighting that return on assets will remain above conventional peers; the rating agency said net profit margins of the GCC Islamic banks will be shielded against a likely easing of the US Federal Reserve's monetary policy, given their fixed rate retail financing focus.

"They will retain a net profit margin advantage over conventional banks and return on assets will also remain above conventional peers," it said.

Historically, the retail heavy portfolios of Islamic banks in the region drive higher financing yields and therefore stronger margins than conventional banks, particularly because current and savings accounts (CASA) deposits continue to make up a large portion of their deposit bases and present little pressure on cost of funds.

The asset quality of GCC Islamic banks will remain stable during the next 12 to 18 months on continued economic growth across the region backed by infrastructure spending and strong business sentiment, particularly in Saudi Arabia.

Strong capital and liquidity buffers will continue to allow Islamic banks in the GCC to capitalise on strong demand for Shariah-compliant financial services.

The GCC Islamic banks have capital ratios far above regulatory requirements and similar to their conventional lending peers.

At 15.7% of risk-weighted assets on average, tangible common equity will continue to shield Islamic banks from unexpected losses, it said, adding regulatory core capital is robust and broadly on a par with conventional peers.

Saudi Arabia's Vision 2030 projects reach $1.3tn in value

Bloomberg
Riyadh

Saudi Arabia has launched $1.3tn in real estate and infrastructure projects over the past eight years as part of its plan to diversify the economy away from oil and become a more attractive place to live, work and travel.

The volume of projects is up 4% from a year ago, according to Knight Frank. This includes more than a million residential units and mega developments such as Neom on the Red Sea coast, the real estate consultancy group said in its latest Saudi Giga Projects Report.

About $164bn worth of real estate contracts have been awarded since 2016, when Saudi Crown Prince Mohammed bin Salman unveiled his strategy to wean the country off its dependence on petrodollars and improve the quality of life for locals.

The largest chunk of that money — $28.7bn — has gone to Neom, with heavy spending on the development within it known as The Line, a pair of mirror-clad towers expected to eventually span the length of about 105 miles.

Other projects with the highest awards to date include the National Housing Co with $12bn, the development of Diriyah Gate at $9bn and the entertainment city of Qiddiya in Riyadh with almost $7bn, Knight Frank said.

While many mega projects are still far from being delivered, the kingdom is working on overdrive to overcome challenges with supply chains, labour and costs in an effort to meet targets. A majority of developments are due between 2028 and 2030, and Saudi Arabia is set to become the world's biggest construction market as it barrels toward those deadlines.

Riyadh remains a focal point, with about $35bn in contracts awarded to date. The capital is expected to add almost 29,000 hotel rooms, 4.6mn square metres of office space and 340,000 homes by the start of the next decade, according to Knight Frank. There will be a further "slew of new developments," the firm said, as the city prepares to host the World Expo in 2030 and the FIFA World Cup in 2034.

More than $54bn has gone to Saudi Arabia's western seaboard and surrounding areas, where at least 17 so-called giga projects are currently underway, Knight Frank said.

Much of Saudi Arabia's construction is designed to support the economic diversification, help house a growing population and boost the country's appeal as a place for investment and tourism.

The kingdom aims to draw in $100bn in foreign direct investment by 2030 and hopes to host 150mn tourists a year by that same timeline. It recorded about 109mn tourists last year, with a majority of those people being local.

The country as a whole is expected to add 362,000 new hotel rooms by the end of the decade to meet the needs of the expected influx of travellers. Knight Frank said that "ambitious pipeline" will cost $110bn and suggested more mid-market properties — rather than 4- and 5- star hotels — will be needed to capture a wider range of tourists.

"This will be key in ensuring the 150mn 2030 visitor target is achieved," the firm said.

A Saudi man walks past the logo of Vision 2030 in Jeddah (file). Saudi Arabia has launched $1.3tn in real estate and infrastructure projects over the past eight years as part of its plan to diversify the economy away from oil and become a more attractive place to live, work and travel.

Officials of Qatar Chamber discuss investment topics with members of a delegation from Iraqi Kurdistan Region.

Qatar Chamber, Invest Kurdistan review co-operation ties

Qatar Chamber recently hosted a meeting with a delegation from Iraqi Kurdistan Region representing the Investment Authority (Invest Kurdistan) led by its chairman, Dr Muhammad Shukri.

During the meeting, Qatar Chamber first vice-chairman Mohamed bin Towar al-Kuwari presided over the Qatari side, which was attended by several board members and many businessmen from both sides.

The meeting discussed means to foster economic and commercial relations between both sides, an introduction of the investment climate in Qatar and the Kurdistan Region, as well as the investment opportunities available in both countries.

Speaking at the meeting, al-Kuwari said the exchange of visits between business communities would promote the investment climate and opportunities galore on both sides, which would consequently motivate investors to establish joint businesses.

Al-Kuwari also noted that the Kurdistan Region provides promising investment opportunities in various sectors, affirming that this would attract Qatari investors seeking to invest in a safe and stimulating environment.

He underscored Qatar Chamber's key role in encouraging Qatari investors to explore these opportunities, bolster co-operation with their counterparts in the Kurdistan Region, and establish new commercial alliances and partnerships.

Al-Kuwari called on Kurdistan firms to co-operate with their Qatari counterparts and forge joint ventures in Qatar, assuring that the country boasts an attractive investment climate, leading legislation and plenty of opportunities in all sectors.

For his part, Shukri said the delegation's visit to Qatar aims to promote investment opportunities available in the Kurdistan Region before Qatari investors and learn about opportunities available in Qatar. He said there are several projects that are currently being studied between both sides.

Egypt inflation rises for first time in months on fuel hike

Bloomberg
Cairo

Egypt's inflation quickened after a reduction in fuel subsidies, disrupting a five-month streak of deceleration that was paving the way for the first interest-rate cut since 2020.

Annual consumer prices in urban parts of the North African country rose 26.2% in August compared with 25.7% in July, state statistics agency CAPMAS has said. The index increased 2.1% month-on-month, compared with 0.4% in July and the highest figure since February.

Food and beverage prices, the largest single component of the inflation basket, rose an annual 29%, versus 29.7% in July.

Egyptian inflation had been defying expectations through even after authorities let the pound plunge nearly 40% in March to stem a two-year economic and foreign-exchange crisis. The move — which included an interest-rate hike — helped seal a global bailout of about $57bn led by the International Monetary Fund and United Arab Emirates. A new wave of subsidy cuts has upset that inflationary trajectory, at least temporarily.

August's acceleration came after price hikes of as much as 15% for a wide range of fuel products and the raising of some electricity tariffs. The steps followed a 300% increase in subsidized bread costs in June that didn't affect the consumer-price index.

"I don't think the numbers reflect any major changes to the inflation trajectory, but rather a bump on the road of disinflation," said Mohamed Abu Basha, head of research at Cairo-based investment bank EFG Hermes. The main reason for the "negative surprise" was the larger-than-expected impact of the increase in fuel prices and the follow-through effect on transportation costs.

The new data increases the likelihood of Egypt's central bank keeping interest rates at an all-time high of 27.25% for a fourth consecutive meeting when it next meets on October 17. Most economists expect the country to embark on a monetary-easing cycle toward the end of this year or in early 2025.

South Korea looks to compete with China on global infrastructure

Bloomberg
Seoul

South Korea is seeking to ramp up its global infrastructure sales by taking advantage of what it sees as frustration with China in Africa, while working with other nations to help reconstruct war-ravaged Ukraine.

"The worldwide population is growing at a very high speed and there are many construction needs," Land, Infrastructure and Transport Minister Park Sang-woo said in an interview. "Many nations lack the expertise and the money, so they need a partner."

Seoul is encouraging its developers to renew their attention on countries with pressing infrastructure needs after a slide in the value of deals from a decade ago. The focus will fall on emerging nations, where growing populations are fuelling a surge in demand for roads, bridges and ports as South Korea's own economy slows and births fall.

To this end, the nation is helping secure loans for companies for development projects, Park said. South Korea is also hosting the Global Infrastructure Co-operation Conference this week with participants from some 30 nations, he added. Construction is already the economy's third-largest source of foreign earnings after semiconductors and automobiles, Park said. Still, data shows that South Korea has lost a large chunk of its overseas construction business as it ceded ground to China on providing infrastructure deals.

China has been a major player in Africa's infrastructure boom over the past decade. Sometimes its large-scale funding has generated accusations that Beijing is using loans to increase its political leverage. Park also raised questions about the quality of China-led projects, but didn't provide specific examples.

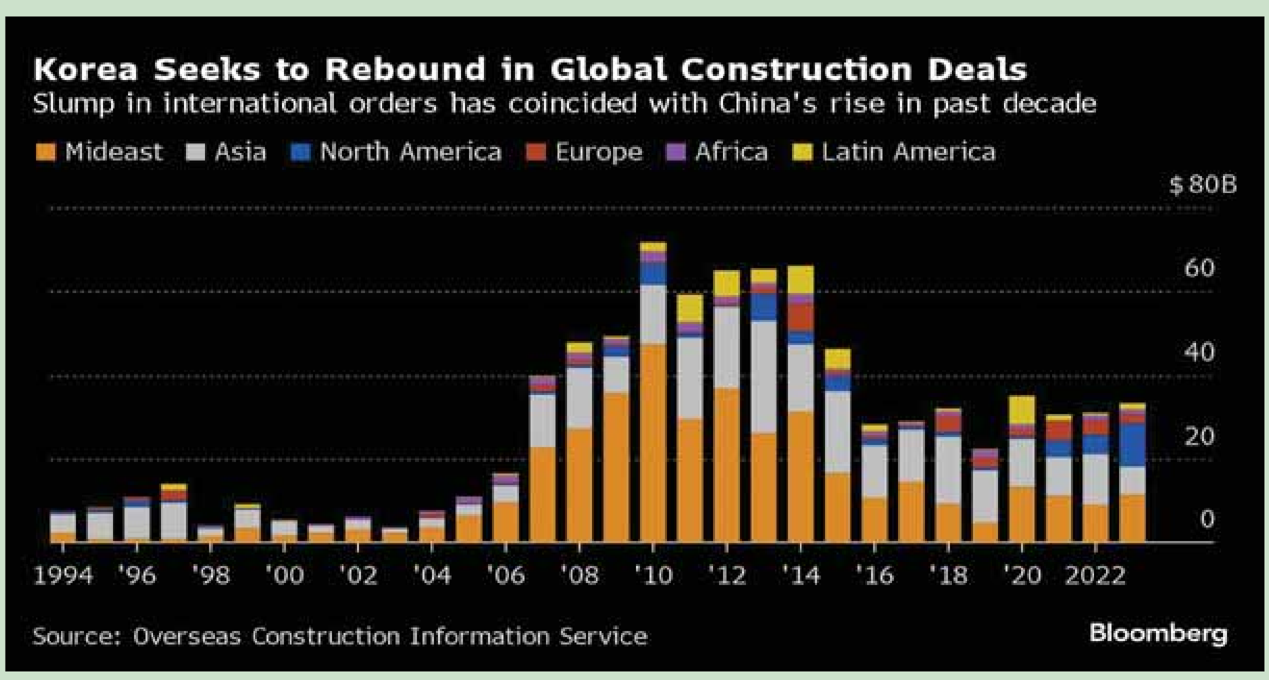
"China was no advanced country, but it had money. After more than 20 years of experience, the world is getting to know that Chinese quality is not that good after completion," Park said.

As part of its broader international outreach initiatives, South Korea is also seeking a bigger piece of the reconstruction efforts in Ukraine. South Korea has laid some of the groundwork for co-operation by supplying Ukraine with humanitarian aid as a US ally since Russia invaded the country in 2022.

Still, South Korea needs a better understanding of Ukraine and its needs, and is therefore in talks behind the scenes with Poland, the Czech Republic and Turkey so it can play a role in infrastructure projects and provide financial and technological assistance in the process, Park said.

Areas that haven't been ravaged by war can benefit from a steady supply of construction assistance as Ukraine tries to function as normally as possible, Park said. South Korea can play a bigger role when the war ends, he added.

South Korean President Yoon Suk-yeol visited Ukraine last year in a show of support the country in its fight against Russia. The country pledged $2.1bn in loans to Ukraine in April.



Bloomberg QuickTake

Here's what the Harris-Trump showdown means for US stocks

By Esha Dey

In this Year of Many Elections, the big one — the US presidency — is just two months away. And the pivotal moment in the race yet, a presidential debate between Vice-President Kamala Harris and former President and Republican nominee Donald Trump, was on Tuesday, September 10.

For Wall Street, the faceoff may add another layer of volatility at a time when uncertainty around the labour market, interest rates and geopolitics is fraying investor nerves. The S&P 500 Index just clocked its worst week since March 2023 as another disappointing report on the US jobs data revived concerns that the economy is cooling, before rebounding on Monday.

From policy insights about taxes, trade, tariffs and immigration, here's what investors will be following in the debate — and beyond.


Kamala Harris and Donald Trump.

Key issues for investors

Taxes: Trump has said he will lower the corporate tax rate to 15% from the current rate of 21%, vowed to make permanent the Republicans' sweeping 2017 tax law and urged renewal of key portions of the bill. Meanwhile, Harris is pushing for an increase in the corporate tax rate to 28%. Her plan proposed keeping rates in place for those making less than $400,000, while raising taxes for higher earners.

Trade and tariffs: Trump has talked about a 10% across-the-board tariff, and steeper levies on Chinese-made goods. Even though Biden unveiled sweeping tariff hikes on a range of Chinese imports, including semiconductors, batteries, solar cells, critical minerals, steel, aluminium and electric vehicles earlier this year, Harris' campaign messaging suggests that while she won't go easy on China, she sees no upside in a greater rupture between the world's two biggest economies. Goldman Sachs economists have said that, if Trump wins, tariffs on imports from China and autos will likely come quickly, raising the effective tariff rate by 3 to 4 percentage points and core PCE inflation by 30 to 40 basis points at the peak.

Immigration: Trump has said he will simply deport undocumented immigrants. Harris has shown support for an immigration deal that includes the construction of additional border wall; in the meantime, Democrats have shuttered the US-Mexico border to some asylum claims. JPMorgan Chase & Co strategists have said that any effective efforts to restrict immigration could be a potential driver of inflation if it creates significant labour shortfalls, thereby curbing growth.

Indexes from Goldman Sachs Group Inc that track trading strategies for each party show the Democratic one started outperforming the Republican one right around the time Joe Biden stepped down as candidate and endorsed Harris.

What data about election years show

Election years have generally been good for the US stock market. The S&P 500 Index has risen in almost every election year since 1960. The exceptions were 2000 and 2008, which were marred by the dotcom bust and the great financial crisis, respectively. The record looks even better for recent election cycles. In the three election years since 2008 — 2012, 2016, 2020 — the benchmark index rose at least 10%.

Taking a narrower view and focusing on just the last seven months of an election year gives a similar picture. Since 1950, the S&P 500 has risen in that time frame for 16 out of the 18 presidential elections, according to data and analysis from the Stock Trader's Almanac. One down year was 2000, when the outcome was delayed for 36 days; the other was 2008.

That said, there's such a thing as too much uncertainty

Despite Harris' surge in recent polls, market pundits warn that the election may remain too close to call until the last minute — and there are chances, albeit small, that an outcome may not be clear until days after the election. Experts point to the possibility of a contested or close election result, as well as the ongoing adoption of vote by mail, where counting takes longer than machine votes. During the 2000 Florida election recount battle, the S&P 500 lost more than 4%, yields on 10-year Treasury notes fell 52 basis points and gold prices jumped as investors piled into haven assets.

The possibility that the election may end in a protracted dispute or worse, political violence, is one that investors are grappling with as well. Markets are expected to struggle if such a situation arises, especially if it also means uncertainty for the final result.

What the 'fear index' is saying

Any major event that can affect the economy and disrupt markets can lead to trading volatility. Elections are no exception. The futures curve of the Chicago Board Options Exchange Volatility Index (VIX), also referred to as the Wall Street's "fear index," signals expectations for heightened volatility in stocks in the wake of Election Day on November 5. Moreover, investors trying to gauge the sentiment toward equities around the election can now look directly at S&P 500 Index options linked to the period of the vote, in addition to the Cboe Volatility Index futures. S&P 500 options for November 6 shows traders are currently positioning for a higher probability of a sizeable move lower than contracts for the prior day.

Equities to watch if Harris wins

A Harris victory is expected to benefit a swath of industries such as renewable energy companies, electric-vehicle makers and even utilities. The bigger Harris trade, however, is the bet that she can avoid a trade war with China, in contrast to Trump's more extreme rhetoric about trade and tariffs.

Democrats' positive stance on clean energy means a Harris win would be good news for that entire group, including electric vehicle manufacturers such as Tesla Inc, Rivian Automotive Inc and Lucid Group Inc, EV charging network operators such as ChargePoint Holdings Inc, Beam Global, Blink Charging Co, as well as suppliers and battery makers.

Solar stocks — First Solar Inc, Sunrun Inc and Enphase Energy Inc among them — are expected to do better under Harris as well, given Democrats' support for renewable energy.

Homebuilders could get a lift as well. Harris has proposed as much as $25,000 in down-payment support for first-time homebuyers, and suggested a tax incentive for builders who work on starter homes. She also called for the creation of a $40bn innovation fund to spur innovations in housing construction. Watch stocks like DR Horton Inc, Lennar Corp and KB Home.

The financial sector may not fare as well, given that a Harris administration is expected to stay tight on regulations, with higher capital requirements for banks such as Bank of America Corp, JPMorgan Chase & Co and Goldman Sachs Group Inc, and continued pressure on credit-card fee income. Drugmakers may also face regulatory pressure, as Harris has proposed a $2,000 annual cap on out-of-pocket costs for prescription drugs.

Equities to watch if Trump wins

Companies with high revenue exposure to China can face disruption if trade tensions escalate. Some prominent names include chipmakers such as Nvidia Corp, Broadcom Inc, Qualcomm Inc, materials companies such as Air Products and Chemicals Inc and Celanese Corp, autos such as Tesla Inc and BorgWarner Inc, and industrials like Otis Worldwide Corp.

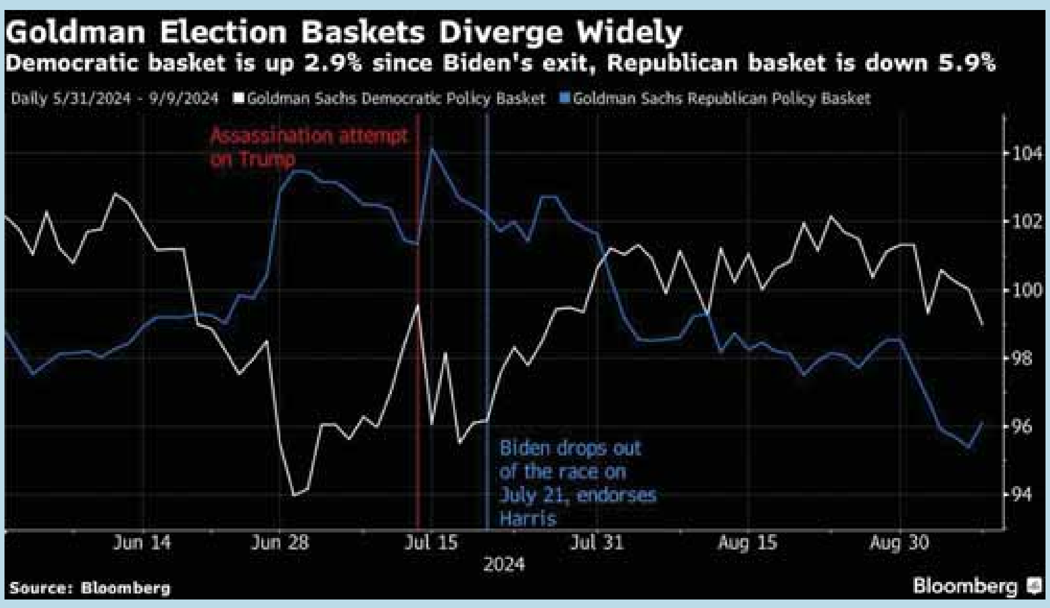
Oil, natural gas and traditional energy companies are seen as likely beneficiaries of a Trump win, given his vow to roll back restrictions on domestic oil production. Stocks to watch include Baker Hughes Co, Exxon Mobil Corp, ConocoPhillips, Occidental Petroleum Corp and Williams Cos Inc Halliburton Co, Devon Energy Corp, Chevron Corp, among others.

The same clean energy and EV companies that have benefited from Biden's Inflation Reduction Act are expected to face challenges under Trump, given that he's said he will entirely reverse Biden's EV policy. If Trump rolled back tax credits extended to buyers, companies at risk include Tesla, Rivian and Lucid, as well as battery makers and parts suppliers.

Defence stocks are expected to do better under a Republican win, given expectations that defence spending will be a clear priority for the party. Stocks to watch include Lockheed Martin Corp, Northrop Grumman Corp, and RTX Corp. Similarly, prison stocks like GEO Group Inc and CoreCivic Inc could gain, as tough immigration policies would benefit operators of correctional facilities. Gunmakers' stocks, such as Smith & Wesson Brands Inc and Sturm Ruger & Co Inc, also tend to climb on Republican wins.

Cryptocurrency stocks have been seen as a proxy "Trump trade" of late, as the former president has made an about-face on Bitcoin and other digital assets since his time in office, even pledging to make America the "crypto capital" of the world. Stocks to watch include Coinbase Global Inc, Marathon Digital Holdings Inc, Riot Platforms Inc, Cleanspark Inc, MicroStrategy Inc and Cipher Mining Inc, as well as the Bitwise Crypto Industry Innovators ETF.

Shares of Trump Media & Technology Group Corp — the parent of Truth Social platform in which the former President owns a majority stake, and that of Rumble Inc — a video sharing platform in which JD Vance's venture capital firm Narya owned shares as of May, may climb on higher likelihood of a Trump win.



Election years have generally been good for the US stock market. The S&P 500 Index has risen in almost every election year since 1960. The exceptions were 2000 and 2008, which were marred by the dotcom bust and the great financial crisis, respectively

World's top oil traders see boom years fade as volatility tanks

Bloomberg
London/Singapore

The world's top commodity merchants are grappling with a tougher environment for trading oil as seismic market events of the past few years start to lose their impact.
The slowdown is being felt everywhere, from the likes of Glencore Plc and Gunvor Group — where profits are down — to hedge fund boss Pierre Andurand, who ditched oil trades for bets on copper and cocoa. While industry titans are still profitable, these are no longer the blockbuster figures banked since 2020.
Back then, oil prices briefly flicked into negative territory when Covid-19 trashed demand at a time when Saudi Arabia-led Opec was maintaining high levels of supply. Just under two years later, Russia invaded Ukraine bringing rich pickings as futures surged and diesel spreads boomed. Now, the volatility that's the lifeblood of trading has been depressed because the market has absorbed those issues.
"The markets over the past several years were trending markets," said Kurt Chapman, the former head of crude oil at Mercuria Energy Group, who now heads up the oil division at Levmet UK Ltd. "Whether they were massively bearish because of Covid and physical traders could store barrels, or going the other way with Ukraine. This year has been a challenging year because there hasn't been obvious physical trading opportunities."
So far in 2024, price swings have been significantly more muted than in years past, even in the face of crude's recent slump toward $70. Brent futures are — for now — heading for the smallest annual price range since 2004 while a gauge of market volatility touched its lowest in almost a decade earlier this year.
That's fuelling a shift away from surfing big bets on derivatives. The traders are instead hiring more people who specialise in winning new business. There's also a fresh push into acquiring assets like refineries and tankers that can give merchants an edge.
As oil traders descend on Singapore this week to strike deals during one of the biggest weeks in the industry calender, the tough trading environment is a key conversation topic. Another, though, is the change to oil flows around the world as a result of global conflicts.
G-7 sanctions on Russia in response to the war have cut the amount of barrels that the big traders were willing to buy and sell. However, those same barrels — which once would have gone to refineries in Europe — are still finding their way to customers in Asia, often at knock-down prices that the traders must compete with.
Merchants are also having to cope with competition from increasingly sophisticated competitors. China has seen an increase in so-called term supplies from Saudi Arabia into the likes of Rongsheng Petrochemical, in which Saudi Aramco recently took a stake. The kingdom has also taken shares in other Chinese refining assets, giving it a toe-hold in a key demand centre.
"A lot of the organisations that have historically relied on traders to supply or offtake their oil have been building up commercially," said Roland Rechtsteiner who heads up McKinsey & Company's commodity trading and risk practice. "While that adds liquidity and more counterparties, it's certainly making the ability for merchant traders to access new flows more difficult."
The tougher market environment can already be seen in published earnings.
The energy division at Glencore notched its lowest half yearly profits since 2018 due to lower margins trading oil and coal. Meanwhile at Torbjörn Törnqvist's Gunvor — the firm's shipping and freight division was a bigger contributor to earnings.
"It's a little bit of a challenging environment," Törnqvist said in an interview in Singapore, discussing the wider oil market.
The firm is trading more partly in an effort to counteract the tough market. Gunvor's latest financial results show it has increased the volumes of crude and oil products it trades to record levels in the first half of the year.
A Swiss oil trading pod of Freepoint Commodities LLC saw significant drawdowns earlier this year before traders departed, according to a person familiar with the matter. Freepoint declined to comment.
Trafigura Group, another major merchant, saw its profit decline 73% in six months through March, although it doesn't split out how its oil business performed. Ben Luckock, the firm's head of oil, said that the lack of a trend, and rangebound crude, mean it hasn't been "particularly easy to trade."
Vitol Group, the largest independent oil trader, doesn't publicly report half yearly profits. However, Chief Executive Officer Russell Hardy said in an interview in Singapore that volatility has diminished.
"Volatility has reverted back much closer to the mean," Vitol's Hardy said. "Opportunity within trading companies has some proportionality to that."

Pakistan's central bank cuts key policy rate by bigger than expected 200 bps

Reuters
Islamabad

Pakistan's central bank cut its key policy rate by a bigger than expected 200 basis points to 17.5% on Thursday, the third straight reduction since June as the country looks to spur growth as inflation eases.
Most respondents in a Reuters poll had expected the bank's Monetary Policy Committee (MPC) to cut rates by 150 basis points after inflation fell to single digits in August for the first time in nearly three years.
"The pace of this disinflation has somewhat exceeded the Committee's earlier expectations," the State Bank of Pakistan said in a monetary policy statement, attributing this to a delay in the implementation of planned increases in energy prices and falling global oil and food prices.
Thursday's move follows cuts of 150 basis points in June and 100 basis points in July that have taken the rate down from an all-time high of 22% — set in June 2023 and left unchanged for a year.
Pakistan's annual consumer price inflation rate slowed to 9.6% in August from a multi-decade high of nearly 40% in May 2023.
"The MPC assessed the real interest rate to still be adequately positive to bring inflation down to the medium-term target of 5-7% and help ensure macroeconomic stability," the bank said in its statement.
"This would be essential to achieve sustainable economic growth over the medium term," it said.
The bank said there was a possibility that average inflation for the fiscal year ending mid-2025 would fall below the previous forecast range of 11.5%-13.5%.
Economic indicators have stabilised since last summer when the country came close to a default before a last-gasp bailout from the International Monetary Fund.
However, concerns have risen once again, with the global lender's board yet to approve a staff level agreement struck in June for a new, $7bn, three-year programme that includes the requirement that Pakistan boost its external financing.
The central bank said its forecasts were partially contingent on "timely" foreign inflows as well as continued fiscal prudence by the government.
The government initially said it expected the board approval in August, and later said it was likely in September. The issue is yet to be placed on the IMF board's agenda.
However, Pakistan central bank governor Jameel Ahmad told analysts in a briefing following Thursday's rate cut that external financing requirements had been met, and that he still expected the IMF board's programme approval in September.
He added that he expected Pakistan's foreign exchange reserves to increase above $12bn by March, up from $9.5bn currently, as inflows would increase after the IMF approved Pakistan's programme.

The logo of the State Bank of Pakistan (SBP) is pictured at its head office in Karachi. The SBP bank cut its key policy rate by a bigger than expected 200 basis points to 17.5% on Thursday, the third straight reduction since June as the country looks to spur growth as inflation eases.

ECB cuts its key rates again; Lagarde backs EU reform call

AFP
Frankfurt

ECB President Christine Lagarde speaks to reporters following the Governing Council's monetary policy meeting in Frankfurt on Thursday. The central bank reduced its key deposit rate a quarter point to 3.5%, as expected, providing further relief to eurozone households and businesses.

The European Central Bank cut its key interest rate again on Thursday as inflation cools while president Christine Lagarde urged EU governments to institute sweeping reforms proposed in a "formidable" report by her predecessor Mario Draghi.
The Frankfurt-based central bank reduced its key deposit rate a quarter point to 3.5%, as expected, providing further relief to eurozone households and businesses.
It was policymakers' second cut, after a move in June, which ended a record hiking cycle that began in mid-2022 to tame a surge in consumer prices.
Inflation rates have been easing, and are now only a whisker off the ECB's two-percent target. The eurozone economic outlook meanwhile has worsened in recent weeks, with the ECB on Thursday slightly trimming its growth forecasts for the coming years.
After the ECB unveiled only its second rate reduction since 2019, Lagarde stressed that progress was being made in the fight against inflation, which was on a "declining path".
But she warned that the battle was far from over, with inflation likely to tick up again later this year and fast-rising wages still a threat.
She again insisted that the rate path ahead was "not pre-determined".
"We shall be data dependent, we shall decide meeting by meeting," she told a press conference.
The central bank for the 20 countries that use the euro left its inflation forecasts unchanged from its last projections in June, forecasting the figure would drop below 2% in 2026.
LBBW bank analyst Jens-Oliver Niklasch said the latest data justified the ECB "taking a slow approach", and he believed the central bank would pause in October before cutting again at its meeting in December.
The central bank's latest meeting came the week that a key report by Lagarde's predecessor at the ECB, Mario Draghi, was released, with a call for sweeping reforms to boost the EU economy.
"It's a formidable report in that it poses a diagnosis which is severe but which is just in our view," Lagarde said.
The report urged the 27-country bloc to ramp up industrial investment by hundreds of billions of euros per year and boost innovation to keep pace with the US and China.
"I very much hope that the executive authorities in charge will actually take it to heart and will see a path towards those structural reforms," she said.
The ECB has been among central banks worldwide which have started cutting rates on the back of falling inflation, with the US Federal Reserve expected to join the movement at its meeting next week.
While eurozone inflation has been sticky, policymakers have in recent times grown more confident that it is now on a more sustained downward trajectory.
Eurozone inflation fell to its lowest level in more than three years in August, according to official data.
Consumer price rises slowed to 2.2 compared to the same month last year, down from 2.6% in July, leaving the figure just a whisker off the ECB's target.
Inflation rates had peaked at 10.6% in October 2022 after Russia's invasion of Ukraine and post-pandemic supply chain woes sent food and energy costs soaring.
A lacklustre performance in some parts of the eurozone has also fuelled calls for more cuts to take pressure off the single currency area.
While signs in the first half of the year were positive, recent indicators have pointed to a deteriorating outlook. The eurozone's largest economy, Germany, shrank unexpectedly in the second quarter, adding to indications that a hoped-for rebound will fail to materialise this year.

OpenAI fundraising set to vault startup's valuation to $150bn

Bloomberg
New York

OpenAI is in talks to raise $6.5bn from investors at a valuation of $150bn, according to people familiar with the situation.
The new valuation, a figure that doesn't include the money being raised, is significantly higher than the $86bn valuation from the company's tender offer earlier this year, and cements its place as one of the most valuable startups in the world.
At the same time, OpenAI is also in talks to raise $5bn in debt from banks in the form of a revolving credit facility, said one of the people, all of whom asked not to be identified discussing private information.
The startup declined to comment. The people familiar with the deal noted that the discussions are still ongoing and the terms could change.
The funding round is slated to be led by Thrive Capital, Bloomberg previously reported. Thrive declined to comment on the latest valuation. Microsoft Corp, the company's largest investor, is also set to participate, and Apple Inc and Nvidia Corp, have been in talks about investing.
OpenAI is not the first major tech startup to turn to Wall Street banks for a revolving credit facility. A slew of technology companies, including Facebook — now Meta Platforms Inc — Alibaba Group Holding Ltd, Uber Technologies Inc and DoorDash Inc have tapped Wall Street for credit lines before pursuing an initial public offering, often in part to strengthen banking relationships. Historically, companies tend to reward banks that make big credit commitments with roles on their IPOs. In return, lenders sometimes offer better terms on the financing.
Founded in 2015, OpenAI has been at the centre of the technology industry's rapid shift toward AI, kicking off an investing frenzy with the 2022 debut of its easy-to-use chatbot, ChatGPT. The company's products, which can generate realistic images and human-sounding text from just a few words of prompting, have captured the attention of both consumers and investors.
OpenAI has evolved significantly as a company since its founding. Late last year, it briefly ousted its Chief Executive Officer Sam Altman. Today, only a handful of the original founding team remains, and the company has taken steps to overhaul its board of directors and add to its executive ranks. In a memo to employees last month, OpenAI Chief Financial Officer Sarah Friar said the financing will support the need for computing power and other operating expenses, Bloomberg reported. She also said in the memo that the startup is aiming to allow employees to sell some of their shares in a tender offer later this year.