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Bank of England to pause rate cuts, focus shifts to bond sales

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QIA's $1bn fund of funds seen as 'key catalyst' for VC activity in Qatar

By Peter Alagos
Business Reporter

The Qatar Investment Authority's (QIA) $1bn 'fund of funds', announced this year by HE the Prime Minister and Minister of Foreign Affairs Sheikh Mohammed bin Abdulrahman bin Jassim al-Thani, could catalyse venture capital (VC) activity in the country.

This was among the main points industry experts agreed upon during a panel discussion titled 'Venture Capital Unplugged: The Ecosystem and Funding Blueprint' hosted recently by Startup Grind Qatar.

Moderated by Salman Surti, programme lead at Qatar FinTech Hub (QFTH), the panel discussion highlighted insights from Alex Wiedmer, partner at Rasmal Ventures; Michael Lints, partner at Golden Gate Ventures; and Muhhanad Taslaq, director of investments at Alchemist Doha.

Wiedmer underscored the significance of having "more funds on the ground" in attracting VCs, noting that this would translate to more entrepreneurs. He further stated that Qatar is following the successful model of other jurisdictions where governments actively support venture capital growth.

He also explained that the impact of the fund of funds extends beyond direct investments: "Even if they don't invest directly, these funds interact with the entrepreneur ecosystem. They advise, mentor, and attract more entrepreneurs to set up around where they are."

According to Wiedmer, Qatar witnessed "a sharp rise in entrepreneurial activity" in the last four years. Before the prime minister's fund of funds announcement at Web Summit Qatar 2024, he emphasised that there have been other government initiatives that have contributed to the "increase in the sophistication of projects" across the country.

Lints, on the other hand, drew parallels with Singapore's experience in cultivating a thriving venture capital environment, citing the Technology Incubation Scheme (TIS), a government funding programme of the National Research Foundation (NRF) established in 2009. He said the impact of the TIS was significant in the "massive growth" in the number of Singapore's VCs to almost 400 in over a decade.

Speaking on the QIA's fund of funds initiative, Lints acknowledged its positive impact, saying: "It's good for Qatar and the ecosystem. It's brought a lot of attention from global funds. Today, many of them are looking at Qatar."

But Lints also cautioned about the importance of balanced growth in the venture capital ecosystem, citing the need for "a mixture of funds that are on the ground.

Meanwhile, Taslaq underscored the importance of collaboration in building Qatar's startup ecosystem. "One of the great things that we agreed on when we started Alchemist Doha is that we're not here to compete with anybody. We want to work and collaborate with everybody," Taslaq emphasised.

"Any incubation centre or accelerator in Doha is a potential partner with us. So, we're not competing with them; we want to work with them and support the ecosystem," Taslaq explained, saying this collaborative approach extends to all players in the ecosystem.

Highlighting Alchemist Doha's vision for Qatar, Taslaq said: "The whole vision here is to transform Qatar into a hub for tech startups for the benefit of entrepreneurs, and that doesn't happen without partnerships.

This approach involves engaging with various stakeholders, including venture capital firms."

From left: Salman Surti, programme lead at Qatar FinTech Hub (QFTH); Alex Wiedmer, partner at Rasmal Ventures; Michael Lints, partner at Golden Gate Ventures; and Muhhanad Taslaq, director of investments at Alchemist Doha, during Startup Grind Qatar's recent panel discussion. **PICTURE:** Shaji Kayamkulam

FIEO to enhance brand visibility of Indian products; explores collaborations with Qatar's hypermarkets

The Federation of Indian Export Organisations (FIEO), an apex export promotion body, is keen to enhance brand visibility and market penetration of Indian products in Qatar.

In this regard, a 45-member business delegation recently visited Doha to explore trade and collaboration opportunities within the food and agriculture sector in Qatar as part of strategies to strengthen the trade relations between the two countries and strengthen food security.

FIEO is India's apex trade promotion body established by the Ministry of Commerce and Industry, Government of India, and plays a crucial role in advancing India's trade relations with global partners.

The pan-India delegation – comprising representatives from 31 leading Indian food and agriculture entities from sectors like rice, tea, coffee, spices, frozen vegetables and packaging – engaged in discussions aimed at strengthening business ties with their counterparts in Qatar.

The delegation toured Qatar's major hypermarkets, where they met with the procurement teams to discuss ways to introduce and expand the availability of high-quality Indian food products in Qatar's retail space, which has been growing exponentially.

These meetings served as a vital opportunity for both sides to explore collaborative ventures and mutual growth opportunities.

As part of the FIEO delegation's visit, the Indian Embassy, in collaboration with the Indian Business and Professionals Council (IBPC), hosted a B2B event between the Indian companies and key Qatari importers and retailers.

Vipul, ambassador of India to Qatar, who inaugurated the B2B, spoke about the deep-rooted historical and economic ties between the two nations. He highlighted that India is a major exporter of rice to Qatar and other food products like spices, meat and dairy products, thus playing a key role in ensuring the availability of diverse and high-quality food products in the Qatari market.

Indian ambassador Vipul highlights the deep-rooted historical and economic ties between India and Qatar.

US rate cut hope lifts QSE sentiments as index gains 75 points

By Santhosh V Perumal
Business Reporter

WEEKLY REVIEW

Expectations built up, amidst next week's US Federal Reserve's decision to cut interest rates, led the Qatar Stock Exchange (QSE) gain as much as 75 points and capitalisation enhance by QR4.83bn this week.

The domestic institutions were seen bullish as the 20-stock Qatar Index gained 0.73% this week which saw the US-based Institute of International Finance view that Doha will have the lowest fiscal breakeven oil price in the Gulf Co-operation Council (GCC) in 2024 and 2025.

The banks and financial services sector witnessed higher than average demand this week which saw the Arab Monetary Fund heap praise on Qatar for the strong capital adequacy in its banking sector.

The Gulf funds were seen net buyers in the main market this week which saw Doha Bank and Mitsubishi UFJ Financial Group successfully close their first Green Repo scheme in the Middle East and North Africa region.

The Arab individuals turned bullish in the main bourse this week which saw Qatar register an 8% year-on-year rise in building permits issued in August 2024, signalling a rosy picture of the construction sector.

The foreign retail investors were seen net buyers in the main bourse this week, which saw Moody's, an international credit rating agency, say the profitability of Islamic banks in the Gulf Co-operation Council (GCC) will remain stronger over the next 12-18 months.

The Qatari individuals' substantially weakened net profit booking had its influence in the main market this week which saw a total of 0.12mn Masraf Al Rayan-sponsored exchange-traded fund QATR worth QR0.27mn trade across 32 deals.

The Gulf retail investors' lower net selling had its say in the main bourse this week which saw as many as 0.03mn Doha Bank-sponsored exchange-traded fund QETF valued at QR0.35mn change hands across 29 transactions. However, the foreign institutions were seen bearish in the main market this week which saw the banks and industrials sectors together constitute about 57% of the total trade volumes.

The Islamic index was seen declining vis-à-vis gains in the other indices in the main bourse this week, which saw no trading of sovereign bonds.

Market capitalisation added 0.81% to QR602bn on the back of midcap segments this week, which saw no trading of treasury bills. Trade turnover and volumes were on the increase in the main market this week, which saw QNB shareholders approve buying back a percentage of the bank's shares for a value up to QR2.9bn. The Total Return Index rose 0.88% and the All Share Index by 1%, while the All Islamic Index was down 0.1% this week, which saw Qatar Islamic Bank successfully issue a $750mn sukuk with a profit rate of 4.485% and tenure of five years.

The banks and financial services sector index shot up 2.36% and consumer goods and services 0.3%; whereas telecom index declined 1.39%, insurance (0.55%), transport (0.44%), industrials (0.41%) and real estate (0.23%) this week which saw Vodafone Qatar sign a five-year partnership agreement with Microsoft.

Major gainers in the main market included Doha Bank, QNB, Vodafone Qatar, Commercial Bank, Aamal Company, Qatar Islamic Bank, Masraf Al Rayan, Lesha Bank, Qatar National Cement, Qatari Investors Group and Estithmar Holding this week which saw Nakilat approve a 7% interim cash dividend for shareholders.

Nevertheless, QLM, Widam Food, Meeza, Dlala, Qatar Electricity and Water (QEWC), Dukhan Bank, Qatar Oman Investment, Qatar German Medical Devices, Salam International Investment, Medicare Group, Gulf International Services, Ooredoo and Milaha were among the losers in the main bourse. In the venture market, both Al Mahhar Holding and Techno Q saw their shares depreciate in value this week which saw QEWC approve 25% interim dividend.

The domestic funds turned net buyers to the tune of QR51.69mn compared with net sellers of QR0.04mn the week ended September 5. The Gulf institutions were net buyers to the extent of QR50.75mn against net profit takers of QR8.36mn the previous week.

The Arab individual investors turned net buyers to the tune of QR11.93mn compared with net sellers of QR7.2mn a week ago.

The foreign retail investors were net buyers to the extent of QR9.79mn against net sellers of QR14.64mn the week ended September 5.

The local individuals' net selling decreased substantially to QR25.97mn compared to QR49.88mn the previous week.

The Gulf individual investors' net profit booking eased perceptibly to QR0.88mn against QR2.59mn a week ago.

However, the foreign funds were net sellers to the tune of QR97.31mn compared with net buyers of QR82.72mn the week ended September 5. The Arab institutions had no major net exposure for the second consecutive week.

The main market witnessed a 5% fall in trade volumes to 609.91mn shares but on 3% jump in value to QR1.63bn and 3% in deals to 63,118 this week. In the venture market, trade volumes tanked 69% to 1.62mn equities, value by 68% to QR3.83mn and transactions by 53% to 188.

The domestic institutions were seen bullish as the 20-stock Qatar Index gained 0.73% this week

The European Central Bank building in Frankfurt. The ECB is open to considering an interest-rate cut in October if the economy suffers a major setback — though the next comprehensive set of information will only be available at the following meeting, President Christine Lagarde said.

Lagarde signals ECB open to October cut but December more likely

Bloomberg
Frankfurt

The European Central Bank (ECB) is open to considering an interest-rate cut in October if the economy suffers a major setback — though the next comprehensive set of information will only be available at the following meeting, President Christine Lagarde said.

Her remarks, less than a day after the ECB delivered its second quarter-point reduction in the deposit rate since June, offer the clearest signal yet that policymakers are leaning towards waiting until December for their next move.

But they've vowed to be data dependent and decline to rule out acting already next months. People familiar with their thinking have said it would take a more significant deterioration in the growth outlook or aggressive easing by the Federal Reserve to depart from the quarterly pace of rate-cutting.

"We have a lot of data at projections exercises, we also receive data in between," Lagarde told reporters in Budapest, where she attended a meeting of euro-area finance chiefs. "We look at everything, and if there is a significant change relative to our baseline we reassess."

ECB officials speaking before her on Friday have also been cautious in signalling any future steps. France's Francois Villeroy de Galhau said policymakers should continue to "gradually" lower rates. "The pace has to be highly pragmatic," he said. "We're not pre-committing to any particular rate path, and we keep our full optionality for our next meetings."

Officials, who first loosened policy in June, are responding to the latest retreat in inflation that took the rate within sight of their 2% goal. While some are wary of lingering price pressures in the services sector, others worry that the eurozone's souring economy could lead to inflation undershooting the target as it did before the pandemic.

"The probability of a rate cut in October, if we look at the financial markets, isn't big," said Martins Kazaks of Latvia. "But at the same time, if there's an unexpected hit to the economy, and if the economy feels significantly weaker than is currently expected and inflation also significantly declines, then of course we could also consider a rate cut."

Markets see a chance of a move next month at just 25%. In Lithuania, Gediminas Simkus said policymakers "will need strategic patience" as they plot the course ahead. Inflation is "calming down" and "its trajectory suggests that further rate cuts must happen," he told Radio LRT yesterday. "Rates will continue declining, but the speed of cuts will depend on data."

For Austria's Robert Holzmann, there could be "room" for another quarter-point move "in December," suggesting there may not be sufficient additional data to decide on a step in October, according to an interview published by the *Financial Times*. Luxembourg central-bank chief Gaston Reinesch said the ECB is likely to cut rates several times if its price outlook proves accurate.

Simkus cited services inflation as the "key uncertainty" — a danger that was also stressed by Slovenia's Bostjan Vasle and Estonia's Madis Muller.

"There still exist pockets of uncertainties, for example around wage dynamics and services prices," Vasle told Bloomberg. "We will have some new information already at the next meeting, and more in December."

There were some more positive assessments of price trends, with Bundesbank President Joachim Nagel describing the outlook as "very good."

"We assume and the data back us up that we'll reach our inflation target of 2% by the end of next year," he told Deutschlandfunk. "The portfolio of data is such that it justified yesterday's rate cut." But the quarterly forecasts underpinning those comments — also published Thursday — showed the economy is likely to expand less than previously envisaged in 2024, 2025 and 2026.

Indeed, after a brief early-year revival, Europe's growth momentum is fading, with manufacturers still suffering from higher energy costs and soft demand beyond the 20-nation currency bloc. A long-promised consumer-led recovery is yet to materialise.

For some, the deteriorating backdrop is a reason to remain nimble. Growth "remains slow in the euro area, and downside risks to growth have increased over the summer," Finland's Olli Rehn said. "We thus maintain full freedom of action and flexibility in making interest rate decisions in future meetings."

Former ECB Chief Economist Peter Praet reckons the "best scenario" for the officials in Frankfurt is to cut in December. But factors such as a larger reduction in borrowing costs next week by the Fed could yet make October possible.

"December is far away, many things can happen," he told Bloomberg Television's Tom Mackenzie yesterday. "So the ECB tried to keep optionality."

Retail, consumer CEOs see shorter tenures as boards act more quickly

Reuters
New York/London

When two of the most powerful brands in retail and packaged foods last month ousted their CEOs, it signalled corporate boards are more ready to toss top executives before activist investors tell them to act.

The tenure for US retail and packaged goods company CEOs has this year on average been about 7 months shorter than chiefs who were in office in 2024 in the autos, finance, tech and manufacturing industries, data to August 31 from executive compensation research firm Equilar show.

And now, their time in the top job may be shrinking as consumers buying iced lattes, chocolate bars and detergent become pickier, leaving companies with less time to innovate and demonstrate performance. At the same time, corporate directors are quicker to act, bankers, lawyers and academics say, forcing CEOs to deliver quickly or face an abrupt exit.

"There is a fresh lack of patience at the board level," said Jim Rossman, global head of shareholder advisory at Barclays. "With the Covid-19 pandemic behind us and some stronger economic data, there is plenty to judge a CEO's management abilities by and if they aren't performing they are out." Monday marked the first day on the job for Starbucks chief Brian Niccol who replaces Laxman Narasimhan after the board gave him only 16 months on the job. Nestle's Mark Schneider had only 24 hours to digest his firing in the face of a sagging share price after eight years as CEO.

While activist Elliott Investment Management was pushing for a board seat at Starbucks, the board fired the CEO without the hedge fund's input, sources familiar with the events said. At Nestle, which has faced activist pressure before when Third Point pushed for changes, the board again acted without public pressure from a hedge fund.

Consumer packaged goods and retail chiefs to August 31 have held the top job for 7.7 years on average, according to Equilar, which tracks Russell 3000 companies.

This compares with other big industries like finance CEOs who had their jobs 10 years on average, and tech CEOs who lasted nearly 9 years on average, Equilar data shows.

"There is a huge amount of pressure on consumer goods CEOs," said Richard Sumner, managing partner of the Consumer Markets Practice for Europe and Africa at executive search firm Heidrick & Struggles. He pointed to increased activism from investors and CEOs being forced to drive innovation in the face of challenged margins and sales performance.

In 2023, Alan Jope, the former CEO of Unilever, the London-based maker of Dove soap, was out after less than five years as the company tried to offload its ice cream brands. Activist investment firm Trian Fund Management which has a seat on Unilever's board, endorsed Jope's successor.

Miguel Patricio led Kraft Heinz for 4-1/2 years until late 2023 and while he remains a board member, the company said its change in leadership reflected thoughtful succession planning with an eye to growth.

Nicandro Durante exited Reckitt Benckiser in 2023 after less than two years as CEO. His replacement, Kris Licht, was credited with engineering a turnaround in the company's health business.

"It's been a rocky road in consumer goods the last few years," Heidrick & Struggles' Sumner added. "The impact of Covid across the consumer products space has meant that sales spikes have gone up and down." Shorter CEO tenures can also be partly explained by executives being worn out. Keeping up with consumer tastes as inflation surged has made the job much tougher, executive head-hunters, bankers and lawyers said.

But the speed with which some chiefs were terminated may point to a new trend: corporate boards are acting before outsiders publicly force them to.

Board members "worry about what the stock did during their tenure on the board and are ready to act more quickly to make sure that they preserve their desirability as a director," Barclay's Rossman said.

Even so, many boards are sticking with their executives even in the face of pressure from hedge funds, bankers said, but several said that the pace of calls to discuss questions like executive changes suggest greater nervousness.

Nestle and Starbucks share prices dropped this year — more than 8% for Nestle and nearly 20% for Starbucks as the company struggled with sales in the US and China. They recovered as CEOs were replaced, with Starbucks surging 25%, marking the biggest single day gain since going public.

As the pace of investor activism at corporations has picked up this year with shareholders pushing for changes at a record number of companies globally in the first half, corporate boards are under pressure.

Fixing a business or selling it often takes time and with impatient investors at the door, the fastest way to signal action is underway is by axing a top executive, bankers, lawyers and academics said.

"Repairing operational problems can't be done overnight," said Georgetown University professor Jason Schloetzer, an expert in corporate governance. "But what you can do more quickly is remove a board member or an executive."

Heads rolling is meant to signify that change is coming."

Nvidia's Blackwell chip delay is centre stage amid stock slump

Bloomberg
New York

Nervous Nvidia Corp investors are eager for an update on its Blackwell chip rollout — hoping for a catalyst to halt the stock's recent decline.

The next-generation processor was unveiled six months ago, but has faced engineering snags that delayed its release. While Chief Executive Officer Jensen Huang tried to reassure the market last month that revenue from the chip is coming soon, some investors were left wanting for details. That — along with broader macroeconomic jitters — has contributed to a 15% selloff since the earnings report.

Lingering questions about Blackwell was a key focus when Huang spoke at a Goldman Sachs conference in San Francisco.

"Nobody likes a delay," said Brian Mulberry, client portfolio manager at Zacks Investment Management Inc. "It's one of those blips that investors are just kind of latching onto." In the absence of other positive catalysts for the stock — and combined with broader worries hitting the whole tech sector — the Blackwell snags have added to concerns that the artificial intelligence darling has risen too far, too fast.

While Nvidia has done a good job of managing expectations, "they probably could communicate better, particularly around the Blackwell issue," Mulberry added.

That sentiment was echoed by Bank of America analysts, who wrote in a research report last week that details about the readiness of Blackwell shipments are the key fundamental catalyst for a recovery in Nvidia shares.

Blackwell is the next generation of the company's dominant AI processor and has been eagerly awaited by investors to provide the next leg of growth. Nvidia acknowledged in its latest earnings report that there were issues with production and said it has had to revamp part of the chip's manufacturing process. Still, the company said it expects to bring in "several billion dollars" of revenue from Blackwell in its fiscal fourth quarter, which ends January 31.

The production ramp is scheduled to begin in the fourth quarter and continue into fiscal 2026, according to comments on the earnings call.

If everything goes smoothly and Nvidia is able to deliver its Blackwell chips on this schedule, then the stock may become less volatile than in recent months, Mulberry said. They've said they'll be able to bring things up to speed by early 2025, and "if they can communicate clearly that they are still on track to do that and there won't be any further delays in production, they can quell some of these short-term fears," he said.

Still, if Blackwell faces more delays or snags, that could add to downside pressure on the shares — especially with few other catalysts on the horizon and potential risks related to a US Justice Department antitrust probe.

Randy Hare, portfolio manager at Huntington National Bank, agrees that near-term pressure on Nvidia shares is likely to the downside. Still, for investors who believe in the potential of AI in the long-term, it could be a good time to add to positions.

"We're maybe part-way through the mid-cycle correction," said Hare. "And then I think you'll get a good opportunity where people will realize that this is the best growth area in the market and they'll start putting money to work again."

Apple Inc lost its court fight over a €13bn ($14.4bn) Irish tax bill, in a boost to the European Union's crackdown on special deals doled out by nations to big companies.

Google lost its bid to topple a once-record €2.4bn ($2.6bn) European Union fine for abusing its monopoly power to crush rival shopping services.

Apple introduced the latest version of its flagship device, the iPhone 16, betting it can entice consumers with modest hardware upgrades and AI technology that's still on the horizon.

Bank of Canada to start jumbo rate cuts by December, says CIBC

Bloomberg
Ottawa

The Bank of Canada building in Ottawa. Canadian Imperial Bank of Commerce says policymakers led by Governor Tiff Macklem will reduce the policy rate by 50 basis points at each meeting in December and January.

One of the country's biggest lenders says the Bank of Canada will accelerate the pace of monetary easing in order to stave off recession.

Canadian Imperial Bank of Commerce says policymakers led by Governor Tiff Macklem will reduce the policy rate by 50 basis points at each meeting in December and January, according to new forecasts released on Thursday. The lender expects the central bank to end the easing cycle next June with a policy rate of 2.25%. The pace of cuts is faster and deeper than what most economists expect, according to a Bloomberg survey from last month.

"It really is time to declare victory in the battle against inflation and get the economy moving again," Avery Shenfeld, CIBC's chief economist, said in a phone interview. "There's no reason not to speed up the process of getting interest rates down materially."

The forecast change comes amid mounting concerns that Canada's labour market and growth are weakening at a quicker pace than expected. Last week, jobs data showed the economy added 22,100 jobs in August, and while there's no widespread layoffs, the unemployment rate surprisingly jumped to 6.6%.

The rise in joblessness is concentrated among young Canadians and newcomers, but it's also spreading to prime-age workers, Shenfeld said, adding that Canada's unemployment rate could rise to 6.8 or 6.9% in coming months. It's not Shenfeld's base case but he won't rule out a jumbo cut at the central bank's next meeting on October 23. The Bank of Canada started reducing the benchmark overnight rate in June, and has since lowered it by 25 basis points at its July and September meetings, bringing the rate to 4.25% from 5% at the peak of the hiking cycle.

Last week, Macklem reiterated that officials could cut rates by 50 basis points or more if inflation and the economy slowed faster than expected. Still, he countered that possibility by noting that pausing cuts was also on the table in the case of stronger growth or persistent inflation.

National Bank of Canada also anticipates a 50 basis point cut before the end of this year. It sees the central bank's policy rate reaching 3.5% this year and before ending the easing cycle next year at 2.75%, which is the estimated midpoint of the so-called neutral rate — where borrowing costs neither stimulate nor restrict economic growth.

Former Bank of Canada Governor Stephen Poloz said separately on Thursday there may be a case for cutting rates beyond that midpoint "if the downside risks do build up more" to cushion the economy.

While he stopped short of calling a recession, Poloz told BNN Bloomberg Television: "We should be prepared for one, not pretend it can't happen."

CIBC and National Bank joined Citibank's Veronica Clark, who was one of the first forecasters to call for a 50 basis point cut this cycle, and expects one at the next meeting in October.

The rest of the top Canadian lenders — Bank of Montreal, Toronto Dominion Bank, Royal Bank of Canada and the Bank of Nova Scotia — still expect Macklem to ease borrowing costs in 25 basis-point increments.

"Rates are now too high for the economy's own good and they can afford to front load some of their reductions," CIBC's Shenfeld said, adding that officials may wish to stimulate the country's stagnating housing market.

Tiny Japan bank looks to grow by lending to offshore homebuyers

Bloomberg
Tokyo

For people outside of Japan who want to get into the country's buoyant property market, one tiny local bank is helping to make that possible.

Tokyo Star Bank Ltd is offering accounts and loans for non-residents to buy real estate in Japan, a service that it says has grown rapidly since its introduction last year. Japan's weak yen and low interest rates have drawn overseas interest in Japanese property and boosted prices.

"We needed a niche to be able to compete in the market," said Akimasa Tanimura, the executive officer in charge of cross-border business at Tokyo Star. "We've been seeing more and more requests from clients in Asian countries."

The bank has added "several hundred" clients in the year since it started the division — mostly wealthy individuals from Taiwan, mainland China, Hong Kong and Singapore, Tanimura said. It expects its balance of loans to high-net-worth clients through the programme to triple in the second half of this year from the first six months.

With ¥2.3tn ($16bn) in assets, Tokyo Star is one of the smaller city banks in Japan, trailing dozens of regional lenders. It's owned by CTBC Financial Holding Co, Taiwan's third-biggest financial group, whose purchase 11 years ago made it the first foreign bank to acquire a Japanese lender.

Tanimura said he believes that Tokyo Star is one of the only Japanese banks offering accounts for non-residents, and that the only competition would be the Japan branches of lenders from Taiwan and China.

Tokyo Star's backing from CTBC allows it to set up accounts and give loans to international clients — something that Japanese lenders typically don't do because of more conservative know-your-customer practices. It can tap its parent company's network — which stretches across several Asian countries including mainland China — for such checks, according to Tanimura.

Foreign clients have taken on loans ranging from ¥20mn to several billion yen, which they have used to buy anything from single apartment units to whole buildings and hotels, Tanimura said. The bank even provided a loan for a unit in Azabudai Hills, one of the priciest residential developments to open in the Japanese capital in the past year, where at least one unit reportedly sold for more than $100mn.

"We've been seeing new requests from all over Asia," including from investors who previously bought property entirely with cash because no banks would lend to them, Tanimura said. "Now, they know we can provide a loan, so by using leverage they can expand their investments."

Tokyo Star's new business growth offers a peek into the trend of foreign real estate investment in Japan, a market where there is limited data on such transactions.

In Tokyo, average prices of newly built condos hit a record for the third year in a row in 2023. While that was mostly due to low interest rates, a shortage of supply and a dearth of construction workers, demand from abroad was also a factor.

"Asian buyers, especially from Taiwan, Hong Kong and Singapore, dominate the Japanese market," Christine Li, Knight Frank's head of Asia-Pacific research, said in a May report. "The rise of private investment is notable, with family offices increasingly moving capital into Japan amid uncertainties in the wider region."

Signage for the Tokyo Star Bank displayed outside one of the bank's branches in Tokyo. Tokyo Star Bank is offering accounts and loans for non-residents to buy real estate in Japan, a service that it says has grown rapidly since its introduction last year.

Most Asia markets rise as traders gear up for Fed rate cut

AFP
Hong Kong

Asian markets mostly rose yesterday while the yen sat around nine-month highs and gold hit a record after another healthy day on Wall Street as investors gear up for an expected US interest rate cut next week.

In Tokyo, the Nikkei 225 closed down 0.7% to 36,581.76 points; Hong Kong — Hang Seng Index ended up 0.8% to 17,373.19 points and Shanghai — Composite closed down 0.5% to 2,704.09 points yesterday.

More data suggesting the Federal Reserve was winning the battle against inflation provided an extra kick for equities after another rollercoaster week that started with big losses fuelled by US recession worries.

While concern after last Friday's big miss on US jobs creation — which followed another well-below-forecast read a month ago — continues to linger, traders are turning their attention to the central bank decision on September 18.

Having slashed rates in the early months of the pandemic, the Fed began hiking in 2022 as inflation started to take hold, and they kept lifting until rates hit a two-decade high.

Now, with disinflation seemingly kicking in and the labour market softening, decision-makers are tipped to start cutting again, with debate on a 25 or 50 basis point move.

Figures on Thursday showed wholesale prices rose 0.2% in August, putting the benchmark on an annual basis at 1.7%, down from a revised 2.1% the previous month.

However, when volatile food and energy components were stripped out, they were up 0.3%, topping forecasts.

The readings came a day after news the consumer price index had hit its lowest level since February 2021.

Observers said the data did little to alter the view that borrowing costs would come down but made the case for the bigger move harder.

"With inflation concerns receding and the labour market having rebalanced, the Fed's current stance of monetary policy is too restrictive," said Xiao Cui at Pictet Wealth Management.

"A situation where labour demand is too weak to absorb the temporarily elevated growth in labour supply is a slow-moving issue that the Fed can likely deal with by easing policy." Confidence that the Fed would cut provided support to Wall Street, and Asia mostly followed suit.

Hong Kong, Sydney, Singapore, Seoul, Wellington, Taipei, Mumbai, and Bangkok were in the green, along with London, Paris, and Frankfurt at the open.

Tokyo was weighed by a stronger yen, which briefly hit the 140.65 per dollar mark last touched at the end of December on bets the Fed will ease monetary policy.

The Japanese unit has rallied strongly since touching almost 162 in July, which caused authorities to spend billions to prop it up.

China bond yields sink to record low with intervention in focus

Bloomberg
Beijing

China's bond traders defied signs of intervention to push sovereign yields to a record low, setting the stage for a showdown with authorities seeking to tame the blistering debt rally.

The yield on the most actively traded 10-year sovereign notes slid to 2.075%, a level unseen since official records became available in 2002. The move came even as state banks were seen becoming more active in selling long-dated bonds in the secondary market in recent days, a sign the People's Bank of China may have intervened to cool the rally.

The development underscores a wide difference between where traders and Chinese policymakers think government yields should be. While the former only want to get their hands on the safest assets amid a moribund economy and prolonged property crisis, the latter are concerned that a bursting liquidity-fuelled bubble could jeopardize financial stability.

"The PBoC will intervene more aggressively to sell bonds and lift yield from time to time, but yields will still likely trend down with a floor at 2%," said Gary Ng, senior economist at Natixis. "It will take a big improvement in the economy and corporate profits to reduce the bearish sentiment."

Chinese President Xi Jinping became the latest boost to the bond rally, as he called on government officials at all levels to achieve the country's annual growth target. To some, that means Beijing will need to ease its monetary policy to support growth, a move that typically leads to lower debt yields. Also bolstering bullish bets on bonds was a report that China is poised to cut interest rates on more than $5tn of outstanding mortgages as early as this month.

The PBoC injected short-term cash into the banking system in its open-market operations for a sixth straight day on Friday, again benefiting the debt market.

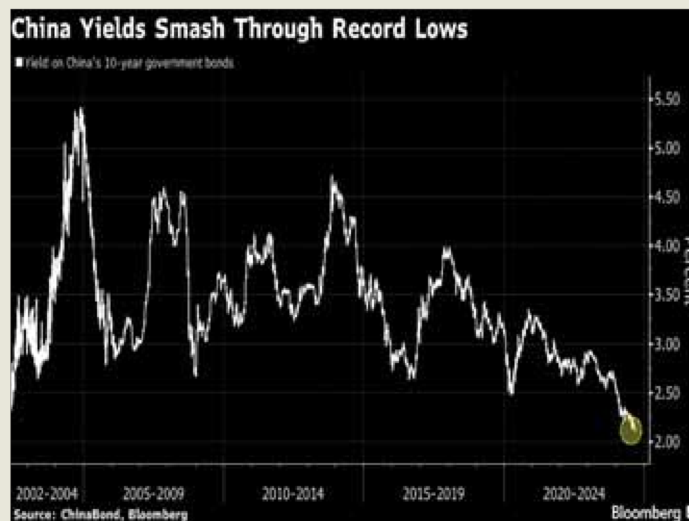
Key indicators — including credit growth, retail sales and fixed-asset investments — that are scheduled to be released in the coming few days will drop a hint on China's economic health. Analysts are expecting to see weakness in nearly all the upcoming data for August.

Traders have been on tenterhooks since last month, when Beijing's pushback against the bond rally evolved from verbal warnings to direct intervention. For days, state lenders were seen selling a 10-year special sovereign bond that's mostly owned by the PBoC, according to traders.

The move helped to drive the turnover on the notes to more than 15bn yuan in every session since Tuesday, compared with just 2.2bn yuan on Monday. The Shanghai Securities News said earlier this week that debt selling by the PBoC will likely continue.

Before wading directly into the market, officials warned financial institutions that crowded holdings in debt positions could easily turn into a "stampede" in the event of a sharp yield reversal. Officials are also wary of the 2023 collapse of Silicon Valley Bank, which had piled into US Treasuries before a market reversal.

"PBoC's action seems to be not forceful enough to back yields," said Stephen Chiu, chief Asia FX and rates strategist at Bloomberg Intelligence. "But we still believe that the PBoC would have to step up to back the longer-end yields. I guess market will try PBoC's tolerance and push 10-year yield all the way towards 2%."



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Qatar's hotel pipeline set to ease despite robust occupancy, says CWQ report

By Santhosh V Perumal
Business Reporter

Qatar is likely to witness reduced pipeline of new hotels in future although occupancy levels and average daily rate (ADR) were seen robust, according to Cushman and Wakefield Qatar (CWQ).

While overall occupancy rates and ADRs have performed relatively well this year to date, several hotels have struggled to gain traction in an increasingly competitive market, CWQ said in its recently released report.

"The prevailing market conditions have resulted in reluctance from investors to support new hotel development, which has reduced the pipeline of future supply in Doha," it said.

By April, the overall supply of hotel key in Qatar reached 39,715, of which approximately 10,000 were hotel apartments, it said, adding about 90% of hotel rooms in Qatar are classed as four star of five-star, with the majority of apartments being classed as 'deluxe'.

"While the pace of new supply has slowed over the past year, the total number of rooms reflects an increase of more than 45% in five years, putting pressure on hotel occupancies and the performance of hotel restaurants over a sustained period," according to the report.

In June, the Prime Minister and Minister of Foreign Affairs HE Sheikh Mohammed bin Abdulrahman bin Jassim al-Thani launched the Simaisma Project, led by Qatari Diar and represents the most significant tourism project in Qatar to date.

It aims to establish an internationally recognised tourist destination and forms part of Qatar's ambitious National Development Strategy 2024-30, which seeks to diversify economic growth. It will feature 16 resort hotels, a theme park, an international standard golf club, a yacht club and marina and significant retail and restaurants provisions.

The National Tourism Council's latest statistics report reflected a buoyant tourism and hotel sector in Q1-2024. Tourist arrivals to Qatar surpassed 1.6mn in the first three months of the year, a 40% increase on 2023. This created a demand for room nights in hotels of 2.6mn, up 37% on the previous year.

Saudi Arabia is Qatar's largest source market for visitors for Qatar with 28% of overall visitors coming from the neighbouring country. India represents the second biggest market at 7%, while the third highest number of visitors came from Germany (5%) in the review period.

The increase in visitors has boosted the performance metrics for the hotel real estate sector with occupancy up from 54% in Q1- 2023 to 75% this year. Monthly occupancy peaked at 85% in February, coinciding with Qatar hosting the Asian Cup and Web Summit.

The increase in demand also boosted hotel revenues in Q1-2024 with ADR's up 10% year-on-year to QR481 and RevPARs (revenue per available room) up 53% to QR361.

According to statistics released by the National Planning Council in April, overall occupancy was 63% while ADRs were QR463, up from 47% and QR442 in April 2023 respectively.

Turkiye central bank expected to cut rates around November

Reuters
Istanbul

Turkiye's central bank is expected to hold interest rates steady at 50% until about November when a first cut is seen, according to a Reuters poll yesterday that suggested expectations have shifted to a slightly later easing cycle.

All 16 poll respondents expected the bank to hold rates at a policy meeting next week, which would mark the sixth straight month of steady policy after an aggressive tightening campaign that began in June of last year.

The one-week repo rate was seen dipping to 47% by year end, based on the median response of 14 economists, with their forecasts ranging from 45% to 50%. That compares to a year-end median forecast of 45% in the poll a month ago. Annual inflation fell to 51.97% in August, mainly due to base effects, from a peak in May. A combination of tight monetary policy and a slowdown in domestic demand is expected to bring it to around 40% by year end.

Though the central bank has given few signals of when it intends to begin cutting, the poll showed it is expected to move as soon as October or as late as next year.

Three respondents picked October for the first rate cut, four chose November and another three chose December. Two predicted the bank would wait until the first quarter of next year before easing policy.

Compared to the August Reuters poll — when consensus for the first cut was centred on October or November — economists now also expect fewer cuts in general this year, the latest poll showed. To tackle inflation that has soared for years, the central bank has raised its policy rate by 4,150 basis points in total since mid-2023, reversing a previous low-rates policy championed by President Tayyip Erdogan to boost economic growth.

The central bank will announce its next interest rate decision on September 19.

Analysts say it could hint more clearly at its expected policy path, and possibly adjust or even drop a past repeated pledge that it was prepared to tighten more as needed.

Last week, in an interview with Reuters, Central Bank Deputy Governor Hatice Karahan said Turkiye's fiscal policy will be critical to ensure that inflation remains on its downward path now that aggressive interest rate hikes are beginning to yield results. The bank expects inflation to fall to 38% and 14% at end-2024 and end-2025 respectively. In the medium term programme, the government sees end-year inflation of 41.5%.

Bank of England looks unlikely to cut rates, focus shifts to bond sales

Reuters
London

An interest rate cut from the Bank of England (BoE) next week looks unlikely but investors will be watching its September meeting for clues about future moves, as well as a decision over the pace of its bond sales — a hot political topic.

All 65 economists in a Reuters poll said the BoE will likely hold rates at 5.0% on September 19, after cutting from a 16-year high of 5.25% in August.

News on price pressures has been mixed. Wage growth cooled as members of the Monetary Policy Committee expected last month and the economy failed to grow in July.

But the Decision Maker Panel — a business survey favoured by the MPC — showed wage growth expectations stopped falling, and data on Wednesday will likely show inflation above the central bank's 2% target.

Markets on Thursday priced in a roughly one-in-five chance of an interest rate cut next week, with a 0.25 percentage point reduction fully priced for November.

With British wage growth and services inflation riding high, investors think the BoE will loosen policy by less than the US Federal Reserve over the next year and similarly to the European Central Bank — although the ECB has already cut rates twice this year, including a day ago.

Economists at Nomura said the BoE's close 5-4 vote in August and healthy business surveys pointed to a hold next Thursday.

"We see the MPC skipping this month's meeting and cutting interest rates again only in November," they said, adding that the MPC's Swati Dhingra was likely to be the sole voice for a cut this time.

A pedestrian walks past the Bank of England in the city of London. An interest rate cut from the BoE next week looks unlikely but investors will be watching its September meeting for clues about future moves, as well as a decision over the pace of its bond sales — a hot political topic.

Bond investors are hotly anticipating Thursday's annual decision on the pace of the BoE's quantitative tightening (QT) programme — the reversal of hundreds of billions of pounds of British government bond purchases from past attempts to stimulate the economy.

Last year the MPC voted to run down its stock of gilts by 100bn pounds ($131bn) through a combination of active sales and allowing bonds to mature.

Lawmakers have criticised the QT programme because it brings forward losses sustained by the BoE, which purchased gilts in past years at much higher prices than their current sale value. Those losses are paid for by already-stretched taxpayers.

Nonetheless, the BoE could on Thursday announce an acceleration of its QT programme, reflecting the fact that it holds 87bn pounds of gilts that are due to mature naturally over the next year, leaving little room for active gilt sales at the current pace.

"The vote on the pace of QT could be the more important one," Andrew Goodwin, chief UK economist at Oxford Economics consultancy, said. BoE Governor Andrew Bailey has said QT is needed to restore the central bank's firepower if it has to stimulate the economy with bond purchases again. Goodwin and most other forecasters think the BoE is likely to keep QT running at 100bn pounds per year, but he said an increase to 115-120bn pounds was a plausible scenario.

Given its impact on the state's budget, finance minister Rachel Reeves will take a keen interest in Thursday's QT decision. Last week she said QT was an operational matter for the BoE when pressed by lawmakers about the scale of taxpayer losses.

Reeves will likely change Britain's fiscal rules to exclude the impact of the BoE's QT programme in her inaugural budget, due on October 30, Goodwin said. "This change would increase her fiscal headroom considerably," he said.

Russia's central bank raises key interest rate to 19% amid inflationary pressure

Reuters
Moscow

Russia's central bank unexpectedly raised its benchmark interest rate by 100 basis points to 19% yesterday, saying that inflation remained stubbornly high and action was needed to reduce it.

A Reuters poll of 27 analysts ahead of the decision had predicted that the bank would keep the rate unchanged at 18% amid tentative signs of the economy cooling down.

But the latest inflation data, released on Thursday, showed inflation was still high and the bank said there were risks it could become entrenched.

"Overall, persistent inflationary pressure remains high and has not yet shown a tendency to decrease," the central bank said in a statement.

Seasonally-adjusted core inflation accelerated in August to 7.7% from 6.1% in July, according to the central bank's calculations, with many analysts saying this rise triggered yesterday's rate decision.

Overall inflation slowed to 9.05% in August in year-on-year terms, only slightly down from 9.13% the previous month. Since the start of the year, prices have risen 5.35%.

The latest set of macroeconomic forecasts project inflation at 7.3% for the full year, well above the central bank's 4% target.

The central bank said earlier that inflation had peaked in July and would gradually fall towards the end of the year. Nabiullina said the board members had been assessing the need to hike the rate to 20% during the meeting based on the latest data.

Russia's government now expects gross domestic product to increase by 3.9% in 2024, up from 2.8% in its April forecast but still marking a slowdown from growth of 4.6% in the first half of the year.

"This slowdown is likely primarily related not to a cooling of domestic demand, but to increasing supply-side constraints and a decrease in external demand," the bank said, referring to the impact of Western sanctions that have disrupted Russia's trade with its main trading partners.

Nabiullina said the situation with cross-border payments had worsened in recent months.

In a draft monetary policy document published last month, the central bank stated it would need to maintain a tight monetary policy for a prolonged period to achieve a sustainable decrease in inflation.

Corporate lending growth, another major factor behind high inflation and economic overheating, accelerated to 2.3% in July from 1.5% in June, the latest available data showed, despite high interest rates.

The next board meeting is scheduled for October 25 and some analysts have already suggested that further rate hikes are possible. Nabiullina said figures from next year's draft budget, due to be unveiled soon, would play a role in the discussion.

"The decision indicated a clear intention, at least at this moment, to continue raising the rate in October," said Renaissance Capital analyst Oleg Kuzmin.

Fed to cut biggest banks' capital hike by half in overhaul

Bloomberg
Washington

US regulators will make extensive changes to their bank-capital rules proposal, cutting the expected impact to the largest banks by half and exempting smaller lenders from large portions of the measure, a top Federal Reserve official said.

The proposed revisions previewed by Fed Vice Chair for Supervision Michael Barr would roughly slice in half the 19% capital hike that regulators had planned for the eight biggest US banks. Those lenders, including Citigroup Inc, Bank of America Corp and JPMorgan Chase & Co, would now face a 9% increase in the capital they must hold as a cushion against financial shocks.

The overhauled proposal may ease key concerns of Wall Street banks, which unleashed one of their fiercest lobbying campaigns after the capital plan was first released in July 2023 by the Fed and two other financial regulators. The revisions could also help avoid a long legal battle with the industry, which has argued that the original proposal would hurt the economy and put US banks on weaker footing against international rivals and non-bank lenders.

"There are benefits and costs to increasing capital requirements," Barr said in a speech at the Brookings Institution. "The changes we intend to make will bring these two important objectives into better balance, in light of the feedback we have received."

Barr's comments confirmed Bloomberg's earlier report on the planned changes.

Other large banks subject to the rule would face an estimated 3% to 4% increase in capital requirements, which includes the impact of unrealised gains and losses on their securities in regulatory capital, Barr said. But banks with assets between $100bn and $250bn would be exempt from the so-called Basel III endgame mandates — other than a requirement to recognise those unrealised gains and losses.

The Federal Reserve building in Washington, DC. US regulators will make extensive changes to their bank-capital rules proposal, cutting the expected impact to the largest banks by half and exempting smaller lenders from large portions of the measure, a top Fed official said.

The new measure isn't a complete write-through of the original proposal. Barr cautioned that the Fed, Federal Deposit Insurance Corp and the Office of the Comptroller of the Currency haven't yet made final decisions on the changes.

"The public should not view any omission of a potential change in these re-proposals as an indication that the agencies will finalise a provision as proposed," he said.

The revisions were negotiated among the three regulators. "The Federal Reserve, OCC, and the FDIC have worked collaboratively on the Basel III proposal, including the changes outlined in Vice Chairman Barr's remarks, and I look forward to the next steps in the process of bringing Basel III to a conclusion," FDIC Chairman Martin Gruenberg said in a statement.

Other key changes in the works include reducing so-called risk weights tied to banks' mortgage lending and tax-equity exposures. The Fed will also recommend changes to how the capital surcharge for global systemically important banks is calculated, Barr said.

"In addition, for the future, I intend to recommend that we account for effects from inflation and economic growth in the measurement of a G-SIB's systemic risk profile," he said. "As a result, a G-SIB's surcharge would not change based simply on growth in the economy."

The complete revisions are expected to run up to 450 pages and may be released as soon as September 19, Bloomberg reported last week. After they are published, there will be a 60-day comment period where regulators seek responses from the industry and the public.

The proposal is tied to Basel III, an international accord that followed the 2008 financial crisis and is intended to prevent future bank failures and another crunch. Some supporters of the US proposal have also billed it as a fix for some of the issues exposed by the collapses of Silicon Valley Bank and Signature Bank in March 2023.

Following stiff resistance from banks, Barr and Powell had promised that regulators would make "broad and material" changes to the capital plan. In July, Powell attended a closed-door meeting with a group of big-bank CEOs, encouraging them to work with the Fed to avoid a years-long legal battle over the capital proposal.