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Qatar sees increased potential for co-operation with Azerbaijan

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BUSINESS

STRUGGLING ECONOMY: Page 2

China is said to weigh $142bn capital injection to bolster top banks

Natural gas offers key advantages as 'cleanest' hydrocarbon fuel, says al-Attiyah

Qatar's investments in LNG assets worldwide has established it as key player in global LNG market, says former Deputy Prime Minister

HE Abdullah bin Hamad al-Attiyah.

Liquefied natural gas (LNG) stands out as a solution to mitigate pollution, particularly in urban areas, in the context of surging electricity demand and emissions-reduction goals, says HE Abdullah bin Hamad al-Attiyah.

"As countries strive to reduce their carbon footprint, they are strategically evaluating options to balance economic benefits, with many large global economies still reliant on fossil fuels. Nevertheless, natural gas offers advantages as the cleanest hydrocarbon, owing to its lower carbon content and flexibility in integration with renewable technologies," al-Attiyah, the former Deputy Prime Minister and Minister of Energy and Industry, told Oxford Business Group (OBG).

He noted the world faces a significant electricity shortage, with nearly 1bn people lacking access to power – particularly in parts of Africa, Asia and Latin America. While countries facing shortages race to construct power stations, they are also actively seeking international supply agreements.

Major economies such as China and India have become prominent buyers of LNG, driven by their expanding industrial frontiers and evolving energy mixes, al-Attiyah told OBG. Similarly, growing economies like Vietnam and Cambodia require a dependable power supply to sustain their momentum.

Al-Attiyah said Qatar's energy sector has come a long way since the first discovery of oil in 1939. Before becoming a significant energy producer, the country gradually transitioned from a small oil producer to becoming a key international supplier of hydrocarbons.

The successful production and commercialisation of liquefied natural gas (LNG) required a considerable period of development. Even the first oil shock in 1973 did not ignite demand for LNG.

However, Qatar worked to secure long-term customers, ultimately achieving a "significant milestone" in 1997 by securing a foundational agreement with Japan for 6mn tonnes per year.

Qatar has since become the leading LNG supplier to South Korea, China, India, Thailand and, more recently, Bangladesh and Kuwait. Qatar's influence in the global natural gas segment extends beyond its borders, with investment in South Hook LNG Terminal in Wales, one of Europe's largest, and Qatar Energy owning a majority share in the Golden Pass LNG Terminal in Texas, US, alongside ExxonMobil.

"These investments firmly establish Qatar as a key player in the global LNG market, expanding its long-term contracts worldwide, and consolidating its reputation as a reliable and timely supplier," al-Attiyah said.

Qatar, he said "recognises the finite nature" of its oil and gas resources. This underscores the need to explore alternative energy sources, with renewables such as wind and solar set to become essential for future generations.

In 2022 Qatar inaugurated its 800-MW Al Kharsaah solar power plant – a significant project slated for expansion in the future.

Elsewhere, water scarcity presents another important challenge. Qatar promotes research to reduce desalination costs, a vital initiative not only for sustaining life in the arid country, but also for supporting urban living and agricultural activities.

Furthermore, Qatar has significant ethane resources and is currently building the Ras Laffan Petrochemicals Complex, featuring the largest ethane cracker in the Middle East.

Qatar's industrial landscape includes aluminium smelters, steel production, and significant exports of fertilisers and ammonia.

One innovative approach involves creating hydrogen from ammonia, which showcases Qatar's commitment to diversifying its energy portfolio and contributing to international sustainability efforts, al-Attiyah noted.

Al-Kuwari meets AIIB president in Samarkand

HE the Minister of Finance Ali bin Ahmed al-Kuwari met Jin Liqun, President, Asian Infrastructure Investment Bank, and other senior AIIB officials in Samarkand, Uzbekistan on Wednesday. The meeting was held on the sidelines of the 9th Annual Meeting of the Board of Governors of the Asian Infrastructure Investment Bank (AIIB) in Uzbekistan. During the meeting, they reviewed co-operation between the two sides and prospects for enhancing them in the fields of investment, finance and economy, in addition to other topics of mutual interest.

Oil markets seen to face soft demand; Brent expected to average $73 in 2025

By Pratap John
Business Editor

Oil markets may face another year of soft demand in 2025, Emirates NBD said and noted Brent futures are expected to average $73 next year, down 9% y-o-y.

Oil demand projections for 2025 vary substantially between the major forecasting agencies, the researcher noted. Opec is the most robust, expecting global oil demand to grow by 1.7mn barrels per day (bpd), down from more than 2m bpd estimated for 2024 but still representing above Opec's own long-term estimates for trend growth in oil demand, Emirates NBD said.

Emerging economies will represent the bulk of oil demand next year according to Opec at 1.6mn bpd, but OECD markets will still show growth of slightly more than 100,000 bpd in 2025, roughly the same with where demand is estimated for 2024.

In contrast, the IEA has been much more downbeat on oil demand next year, expecting global consumption growth of just 0.9mn bpd, only marginally higher than their estimate for 2024.

Like Opec, the IEA expects emerging economies to account for all the demand growth next year as a drop in OECD demand of about 90,000 bpd is offset by slightly more than 1m bpd of non-OECD consumption growth.

The EIA sits roughly between Opec and the IEA with a global demand growth forecast of 1.5m bpd, representing an acceleration from their estimate of 0.9mn bpd for this year. But the EIA stands out in expecting a sharp improvement in OECD demand for 2025.

Market pricing has been shifting from anticipating tight to looser oil markets in the year ahead. The backwardation in December time spreads for Brent futures has dropped to less than $2 (as of late September) from more than $5 at the start of the quarter.

A similar compression has also taken place in WTI markets, Emirates NBD said and noted this front-loading of the pending weakness in 2025 may flatten the slope of falling prices but fundamentals will still exert a substantial downward pull on oil next year.

If Opec+ does add substantial volume back to the market in 2025 then it will weigh on prices on the frontend and push market structures into contango.

An upward sloping curve tends to be more attractive for independent producers who can hedge output further out, rather for than state-controlled oil producers such as Opec+ members, which have sought to keep the curve in backwardation.

"We expect oil prices in 2025 to be lower on average than our target for 2024. For Brent futures, we expect they will slide from an average of $75/b in Q1, 2025 to $70/b by Q4, 2025 for an average of $73/b, down 9% from an expected average of $80/b for 2024," Emirates NBD said.

Qatar banks' net profit to remain 'stable' despite rate cut: Moody's

By Santhosh V Perumal
Business Reporter

Qatar's banking sector's net profit is expected to remain "stable" in the second half (H2) of 2024 despite a 55 basis points or 0.55% cut in interest rates by the Qatar Central Bank (QCB), according to Moody's, a global credit rating agency.

"We expect Qatari banks' net profits to remain stable in H2-2024 as net interest income will be hampered only marginally by interest rate cuts, while non-interest income will remain broadly unchanged. This will be offset by still high provisioning costs – compared to historical levels – albeit declining, while operating expenses will continue to grow driven by banks' continuous investments in technology," the rating agency said in its latest report.

Moody's expects non-oil GDP (gross domestic product) growth in Qatar, where banks focus their lending activity, to accelerate by 3% in 2024 and 3.5% in 2025 (from 1% in 2023), benefiting from sport events, business exhibitions and related economic activities, as well as projects associated with the expansion of Qatar's LNG (liquefied natural gas) production capacity.

However, non-oil GDP growth remains well below the 5.7% achieved in 2022, when Qatar hosted the FIFA World Cup and benefited from related infrastructure and investment activity. "As a result, we expect a private-sector credit growth in 2024 of 3%-4%," it said.

Moody's expect cuts in interest rates in H2-2024 and 2025 will "temporarily squeeze" net interest margins (NIMs) because interest on loans will decline faster than interest paid on deposits and other funding costs.

"However, this will be mitigated by the banks' skew towards short-term funding, which enables them to respond quickly to lower interest rates," it added.

The QCB rate cut came in the wake of the US Federal Reserve resorting to a 0.5% rate cut, its first rate reduction cut since Covid-19 decimated the global economy.

The rating agency noted that higher net interest income and lower provisions had helped Qatar's banking sector to report an 8% year-on-year jump in net profit to QR14bn in the first six months (H1) of this year.

Moody's expects non-oil GDP growth in Qatar, where banks focus their lending activity, to accelerate by 3% in 2024 and 3.5% in 2025 (from 1% in 2023), benefiting from sport events, business exhibitions and related economic activities, as well as projects associated with the LNG expansion.

"An 8% increase in net interest income combined with a 20% decrease in loan-loss provisioning charges" resulted in 8% growth in total net profit," it said, adding NIMs were broadly stable as increased funding costs offset banks' higher gross yields.

The increase in net profit combined with total asset growth of 5%, resulted in the banks' aggregate return on assets remaining broadly "stable" at 1.3% in H1-2024 compared with H1 2023. While net profit was higher than the pre-pandemic profit of QR11.3bn in H1-2019, return on assets remained slightly below the 1.4% reported for H1-2019, because of still high, although declining, provisioning costs in H1-2024. "We expect profitability to remain sound and single-digit credit growth to support banks' capital buffers at current strong levels through 2024," Moody's said, adding Qatari banks' capital buffers increased year-on-year in H1-2024, supported by strong earnings, profit retention and single-digit loan growth.

BUSINESS

Fed rate cut paves the way for banks to exit emergency facility

Bloomberg
Washington

Banks that borrowed from a Federal Reserve emergency lending facility crafted after the collapse of Silicon Valley Bank might start repaying their loans at a faster pace, draining liquidity from the financial system.

The Bank Term Funding Program, or BTFP, launched in 2023 to support ailing financial institutions and restore confidence by allowing banks and credits unions to borrow money for as long as a year at low costs was a popular program, surging to an all-time high of $168 billion earlier this year. But now that the Fed slashed rates by a half-percentage point the lending, facility is looking less attractive, according to RBC Capital Markets strategist Izaac Brook.

"We might see early repayment of these loans start to ramp up in the coming weeks," Brook wrote in a note to clients on Tuesday. "If not, these BTFP loans should largely roll off around year-end, given that most were either originated, or rolled over for another year, before the programme was made less attractive in January'24."

Financial institutions tapped BTFP to take advantage of loans carrying generous terms: one-year overnight index swap rate plus 10 basis points with no penalty for early repayment, and US Treasuries and agency debt as collateral valued at par.

The facility was so attractive that Fed policymakers increased the cost of borrowing in January because some institutions were taking advantage of it to fund an arbitrage opportunity. As a result, borrowing from the programme shrank. Balance at the programme was $94.8bn through the week ended September 18, according to the latest data.

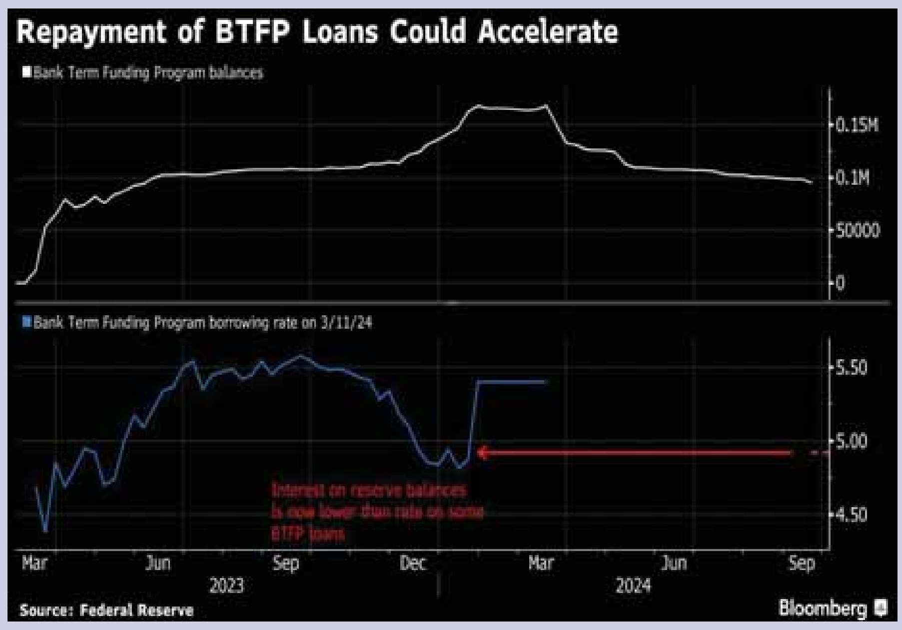
If loans are largely repaid, liquidity will be removed from money markets. Whether the money will come from the Fed's overnight reverse repurchase agreement facility or bank reserves will depend on whether banks rely on borrowing from the Federal Home Loan Banks or money-market funds pulling cash from the RRP to absorb the increased supply.

Banks of course could turn to other sources like commercial paper or certificates of deposit, or they could just let the loan roll off without seeking alternate financing.

Brook sees borrowing from the FHLB as the most likely path given that many of the banks that tapped the BTFP are smaller and have limited access to funding. He also said it's unlikely institutions will turn to other Fed facilities like the Discount Window or Standing Repo Facility unless they were experiencing severe stress.

While repayments are expected to create some funding pressure in the short term, it will have little impact on the central bank's plan to reduce its bond holdings or unwind its balance sheet.

"These pressures would be transitory and not meaningful enough to threaten an early end to QT," Brook said, referring to a process known as quantitative tightening. His firm doesn't expect QT to end until the second half of 2025.



China weighs $142bn capital injection into top banks

Bloomberg
Hong Kong

China is considering injecting up to 1tn yuan ($142bn) of capital into its biggest state banks to increase their capacity to support the struggling economy, according to people familiar with the matter.

The funding will mainly come from the issuance of new special sovereign bonds, said the people, asking not to be identified discussing a private matter. The details have yet to be finalised and are subject to change, the people added. Such a move would be the first time since the global financial crisis in 2008 that Beijing has injected capital into its big banks.

China is rushing to replenish its banks — even though the top six have capital levels that far exceed requirements — after unveiling broad reductions to mortgage rates and slashing key policy rates to revive the economy. Enlisted to support the economy over the past years, lenders such as Industrial & Commercial Bank of China Ltd and Bank of China Ltd are now battling record low margins, sinking profits and rising bad debt.

Li Yunze, the nation's top banking regulator, said earlier this week at a press conference in Beijing that authorities would act to boost core tier 1 capital at its six major commercial banks, without elaborating. The National Financial Regulatory Administration didn't respond to a request for comment.

"This is a different type of stimulus," said Hao Hong, chief economist at Grow Investment Group. "If done through special bond issuance it's a fiscal stimulus and can stabilise the banks as property prices continue to decline. It will ensure that the banks lending capability won't be affected."

China's mega banks have been under growing pressure from regulators to shore up the struggling economy by offering cheaper loans to risky borrowers — from real estate developers and home owners to cash-strapped local government financing vehicles. Most recently, some of the lenders heeded government calls to pay their first ever interim dividends to support the stock market even as profit growth and margins are sliding.

Funding now is favourable for the government. In May, China kicked off another planned issuance of 1tn yuan in ultra-long special sovereign bonds, targeting to wrap up the sales in mid-November. The latest auction saw a 30-year bond sold at an average yield of 2.19%, a record low based on Bloomberg data on past issuances of the tenor that dates back to 2007.

Combined profits at China's commercial lenders rose just 0.4% in the first half, the slowest pace since 2020. Meanwhile, the sector's net interest margins have continued to shrink, hitting a record low of 1.54% at the end of June, well below the 1.8% threshold regarded as necessary to maintain reasonable profitability.

Higher dividend distribution also threatens to erode capital buffers at the systemically important banks, which face additional capital requirements under the so-called total loss-absorbing capacity mechanism imposed globally.

The six largest banks — which also include Agricultural Bank of China Ltd, China Construction Bank Corp, Bank of Communications Co, and Postal Savings Bank of China Co — have primarily relied on retained profits to increase capital buffers.

Their average core tier 1 capital adequacy ratio has fallen slightly to 11.77% at the end of June, but remains above the 8.5% level required for China's systemically important banks.

"In theory, the big banks don't need more capital to sustain operations unless they will be asked to take more credit risk," said Francis Chan, a senior analyst at Bloomberg Intelligence. "In this case, 1tn RMB will be more or less for that purpose."

It wouldn't be the first time Beijing has stepped in to support its banks, most of which are still majority-owned by the state.

China first bailed out its big four banks in the late 1990s when their non-performing loan ratio surged to about 40%. At the time, policymakers sold special bonds to raise capital and set up state-run bad banks to buy 1.4tn yuan of soured loans at face value. The effort was largely a success, setting the stage for more than a decade of breakneck growth that turned China into the world's second-largest economy and helped many of its biggest companies tap into global capital markets.

The government also injected $60bn of foreign reserves in early 2000s to recapitalise ICBC, Bank of China, and China Construction, which buckling under non-performing loans after decades of government-directed lending to unprofitable state-owned companies. In 2008, Agricultural Bank received about $19bn in a bail-out, capping a decade long overhaul of the banking industry.

China is rushing to replenish its banks — even though the top six have capital levels that far exceed requirements — after unveiling broad reductions to mortgage rates and slashing key policy rates to revive the economy. Enlisted to support the economy over the past years, lenders such as Industrial & Commercial Bank of China Ltd and Bank of China Ltd are now battling record low margins, sinking profits and rising bad debt

Markets fear ECB's cautious path risks tipping inflation below target

Reuters
Frankfurt

If traders are right, the European Central Bank is now at risk of pushing inflation below its 2% target by cutting interest rates too slowly, hurting the bloc's fragile economy.

The swaps market, where investors hedge inflation risk by exchanging payments tied to the rate of price growth, suggests inflation will fall durably below the ECB's target from January, according to data compiled by Danske Bank for Reuters on Wednesday.

That's much earlier than the ECB, which expects inflation — currently at 2.2% and potentially dipping below target this month before rising back — to fall to 2% in late 2025.

The ECB has been battling to rein in inflation, which was running in double digits less than two years ago. But price pressures have eased following aggressive rate hikes, prompting the bank to kick off an easing cycle in June. It last cut rates earlier this month.

"The market is signalling to the ECB that they could be behind the curve," said Analissa Piazza, fixed income research analyst at MFS Investment Management, which manages $639bn.

If the bank continues quarterly moves through next year — slower than markets expect — it could push inflation below target for too long and then struggle to push it back up in the future, she added.

Data this week showing eurozone business activity unexpectedly contracted in September vindicated markets, which have expected swifter disinflation than the ECB for a while.

Traders now see more than a 50% chance of an October rate cut, which policymakers had reckoned was unlikely following this month's meeting.

Reuters reported on Thursday that dovish policymakers are preparing to fight for an October rate cut, a move likely to meet resistance from their conservative peers.

Investors reckon the risk of below-target inflation is rising globally.

While they saw inflation between 2%-3% as the more likely outcome in the US and the euro zone at end-2025, the share of investors who expect below target inflation rose in both regions this month, a BofA investor survey showed on Sept. 13, just before the Federal Reserve's 50 basis-point rate cut.

In Sweden, inflation has been below target for three straight months, prompting the Riksbank to put faster cuts on the cards on Wednesday.

A key part of the discrepancy is oil prices, which dropped to their lowest in nearly three years below $69 earlier in September.

At around $72 on Thursday, they were still more than 9% lower than at the Aug. 16 cut-off date for the ECB's latest economic projections.

For sure, markets aren't signalling the kind of ultra-low inflation that prevailed before the Covid-19 pandemic that the ECB struggled to reignite, prompting it to unleash vast bond purchases and a controversial experiment with negative interest rates.

The swaps point to average inflation of 1.7% over the next year.

And a key market gauge of longer-term inflation expectations, which dropped to a two-year low earlier in September, remains just a touch above 2%.

But crucially, market inflation expectations signal disagreement with the ECB's outlook on growth.

"The market is thinking the ECB is a little bit optimistic on growth," said Amundi Investment Institute's head of developed markets strategy Guy Stear, who expects eurozone growth to improve to 1% next year from 0.8% this year, less than half the rise to 1.3% the ECB expects.

While acknowledging domestic demand will be weaker than previously expected, the ECB reckons goods disinflation has run its course and expects rising real incomes to support consumption and drive growth.

But eurozone households are saving more than they did before the pandemic and some economists reckon they are unlikely to run down those savings and boost consumption as consumer confidence remains weak.

Nomura economists note that, rather than accumulating more cash, savers have upped their asset holdings, making them less likely to spend.

And while volatile, wage growth — which ECB hawks in particular worry risks keeping services inflation high — has slowed more sharply than the bank expected.

Monday's business activity data, showing German businesses shedding staff at the fastest pace in over 15 years outside of the pandemic, also warranted caution, economists said.

A bleaker economic outlook than the ECB expects would support eurozone government bonds, which have underperformed US Treasuries this year, investors said.

Saudi to drop $100 crude target to win back market share: *FT*

Saudi Arabia is preparing to abandon its unofficial $100 a barrel oil price target as it gets ready to raise output to win back market share, even if it means lower prices, the *Financial Times* reported on Thursday, reports Reuters.

The Organisation of the Petroleum Exporting Countries (Opec) has been cutting oil output to support prices along with allies including Russia, who are together known as Opec+.

However, prices are down nearly 5% so far this year, amid increasing supply from other producers, especially the US, as well as weak demand growth in China.

Earlier this month, Opec+ agreed to delay a planned oil output increase for October and November after crude prices hit their lowest in nine months, saying it could further pause or reverse the hikes if needed.

The *FT*, citing people familiar with Saudi thinking, reported that Saudi Arabia is committed to the group raising production as planned on December 1, even if that means a longer period of low oil prices.

The Saudi government's communications office did not immediately return a request for comment.

The market share of Opec+, formed in late 2016, has slipped to all-time lows after output cuts since 2022 and supply increases by the US and other producers, according to the International Energy Agency.

Opec+ oil output is equal to 48% of world supply, according to Reuters calculations based on IEA figures. Saudi Arabia's crude output is below 10% of the world market, while US oil output has risen to 20% of world supply.

Saudi Arabia has decided that it will not continue to cede market share and believes it has enough funding options, including foreign reserves and debt, to withstand a period of lower prices, the *FT* said.

The kingdom, the world's top oil exporter, has shouldered a large share of Opec+ output cuts, reducing its own output by about 2mn barrels per day (bpd) since late 2022.

Opec+ is seen set to go ahead with December oil output hike

Reuters
Dubai/London

The Organisation of the Petroleum Exporting Countries and its allies will go ahead with a planned oil production increase in December but first need to cut output to address overproduction by some members, two Opec+ sources said on Thursday.

The sources said the plan didn't represent any major change from existing policy after the *Financial Times* reported Saudi Arabia is committed to Opec+ raising production on December 1 and dropping its unofficial $100 a barrel oil price target to win back market share.

Opec and Saudi Arabia have repeatedly said they do not target a certain price and make decisions based on market fundamentals and in the interest of balancing supply and demand.

The output increase in December is not about regaining market share, it is about a small number of countries phasing out their voluntary output cuts, one of the Opec+ sources said.

Opec+, which groups Opec members and allies such as Russia, is scheduled to raise output by 180,000 barrels per day in December. Iraq and Kazakhstan have pledged to cut 123,000 bpd in September to compensate for earlier pumping above agreed levels.

"When the compensation plan and production figures from those countries becomes clear for September then that will allow the increment to come in as the impact of the increment will be negligible," one of the Opec+ sources said, referring to the December increase.

The Saudi government's communications office and Opec+'s headquarters did not immediately return requests for comment.

Opec+ is currently cutting output by a total of 5.86mn bpd, equivalent to about 5.7% of global oil demand. Earlier this month, they delayed the plan to boost output after oil prices fell to a nine-month low.

Global crude benchmark Brent was down about 2.5% to below $72 a barrel at 1420 GMT.

A panel of top ministers from Opec+ called the Joint Ministerial Monitoring Committee is scheduled to meet on October 2 to review the market and is not expected to make any changes to policy.

Russian Deputy Prime Minister Alexander Novak told Reuters on Thursday that there were no changes to Opec+ plans to start phasing out oil production cuts from December.

Russian Deputy Energy Minister Pavel Sorokin said that Russia does not want to flood the market with oil when speaking about plans to raise country's output to 540mn tonnes from 2030.

The cuts by Iraq and Kazakhstan are so-called compensation cuts that the countries have pledged to make up for earlier pumping above quotas. More such cuts are pledged in later months this year and into 2025.

Opec+ ministers could meet again in November, a third Opec+ source said.

Bloomberg QuickTake Q&A

All about Nvidia chips, AI hype and what lies ahead

By Ian King

The blistering stock rally that's made Nvidia Corp one of the world's three most valuable companies is based on a number of assumptions. One is that artificial intelligence applications made possible by its semiconductors will become features of the modern economy. Another is that Nvidia, and the patchwork of subcontractors upon which it relies, can meet the exploding demand for its equipment without a hitch.

The excitement surrounding artificial intelligence has ebbed and flowed, but Nvidia remains the preeminent picks-and-shovels seller in an AI gold rush. Revenue is still soaring, and the order book for the company's Hopper chip lineup and its successor — Blackwell — is bulging.

However, its continued success hinges on whether Microsoft Corp, Google and other tech firms will find enough commercial uses for AI to turn a profit on their massive investments in Nvidia chips. Meanwhile, antitrust authorities have zeroed in on Nvidia's market dominance and are looking into whether it has been making it harder for customers to switch to other suppliers, Bloomberg has reported.

Nvidia shares suffered their worst one-day decline in four weeks on August 29 after it issued an underwhelming sales forecast. The company also confirmed earlier reports that Blackwell designs had required changes to make them easier to manufacture.

The stock has since bounced back from its August low. And the company's revenue will more than double this year, according to estimates, repeating a similar surge in 2023. Barring a currently unforeseen share collapse, Nvidia will end the year as the world's most valuable chipmaker, by a wide margin.

Here's what's driving the company's spectacular growth, and more on the challenges that lie ahead.

What are Nvidia's most popular AI chips?

The current moneymaker is the Hopper H100, whose name is a nod to computer science pioneer Grace Hopper. It's a beefier version of a graphics processing unit that normally lives in personal computers and helps video gamers get the most realistic visual experience. But it's being replaced at the top of the lineup with the Blackwell range (named for mathematician David Blackwell).

Both Hopper and Blackwell include technology that turns clusters of Nvidia chips into single units that can process vast volumes of data and make computations at high speeds. That makes them a perfect fit for the power-intensive task of training the neural networks that underpin the latest generation of AI products.

The company, founded in 1993, pioneered this market with investments dating back almost two decades, when it bet that the ability to do work in parallel would one day make its chips valuable in applications outside of gaming.

The Santa Clara, California-based company will sell the Blackwell in a variety of options, including as part of the GB200 superchip, which combines two Blackwell GPUs, or graphics processing units, with one Grace CPU, a general-purpose central processing unit.

Why are Nvidia's AI chips so special?

So-called generative AI platforms learn tasks such as translating text, summarising reports and synthesising images by ingesting vast quantities of preexisting material. The more they see, the better they become at things like recognising human speech or writing job cover letters. They develop through trial and error, making billions of attempts to achieve proficiency and sucking up huge amounts of computing power along the way.

Blackwell delivers 2.5 times Hopper's performance in training AI, according to Nvidia. The new design has so many transistors — the tiny switches that give semiconductors their ability to process information — that it's too big for conventional production techniques. It's actually two chips married to each other through a connection that ensures they act seamlessly as one, the company said.

For customers racing to train their AI platforms to perform new tasks, the performance edge offered by the Hopper and Blackwell chips is critical. The components are seen as so key to developing AI that the US government has restricted their sale to China.

How did Nvidia become a leader in AI?

The Santa Clara, California-based company was already the king of graphics chips, the bits of a computer that generate the images you see on the screen. The most powerful of those are built with thousands of processing cores that perform multiple simultaneous threads of computation, modelling complex 3D renderings like shadows and reflections.

Nvidia's engineers realised in the early 2000s that they could retool these graphics accelerators for other applications. AI researchers, meanwhile, discovered that their work could finally be made practical by using this type of chip.

Nvidia Chief Executive Officer Jensen Huang has said customers are frustrated they can't get enough chips

What are Nvidia's competitors doing?

Nvidia now controls about 90% of the market for data centre GPUs, according to market research firm IDC. Dominant cloud computing providers such as Amazon.com Inc's AWS, Alphabet Inc's Google Cloud and Microsoft's Azure are trying to develop their own chips, as are Nvidia rivals Advanced Micro Devices Inc and Intel Corp.

Those efforts have done little to erode Nvidia's dominance for now. AMD is forecasting as much as \$4.5bn in AI accelerator-related sales for this year. That's a remarkable growth spurt from next to nothing in 2023, but still pales in comparison with the more than \$100bn Nvidia will make in data centre sales this year, according to analyst estimates.

How does Nvidia stay ahead of its competitors?

Nvidia has updated its offerings, including software to support the hardware, at a pace that no other firm has yet been able to match. The company has also devised various cluster systems that help its customers buy H100s in bulk and deploy them quickly. Chips like Intel's Xeon processors are capable of more complex data crunching, but they have fewer cores and are slower at working through the mountains of information typically used to train AI software. The once-dominant provider of data centre components has struggled so far to offer accelerators that customers are prepared to choose over Nvidia fare.

How is AI chip demand holding up?

Nvidia Chief Executive Officer Jensen Huang has said customers are frustrated they can't get enough chips. "The demand on it is so great, and everyone wants to be first and everyone wants to be most," he said at a Goldman Sachs Group Inc technology conference in San Francisco on September 11. "We probably have more emotional customers today. Deservedly so. It's tense. We're trying to do the best we can."

Demand for current products is strong and orders for the new Blackwell range are flowing in as supply improves, Huang said. Asked whether the massive AI spending is providing customers with a return on investment, he said companies have no choice other than to embrace "accelerated computing."

Why is Nvidia being investigated?

Nvidia's growing dominance has become a concern for industry regulators. The US Justice Department sent subpoenas to Nvidia and other companies as it seeks evidence that the chipmaker violated antitrust laws, escalating an existing investigation, Bloomberg reported on September 3. Nvidia subsequently denied that it had a subpoena, but the DoJ often sends requests for information in the form of what's known as a civil investigative demand, which is commonly referred to as a subpoena. The Department of Justice has sent such a request seeking information about Nvidia's acquisition of RunAI and aspects of its chip business, according to one person with direct knowledge of the matter.

Nvidia has said its dominance of the AI accelerator market comes from the superiority of its products and that customers are free to choose.

How do AMD and Intel compare with Nvidia in AI chips?

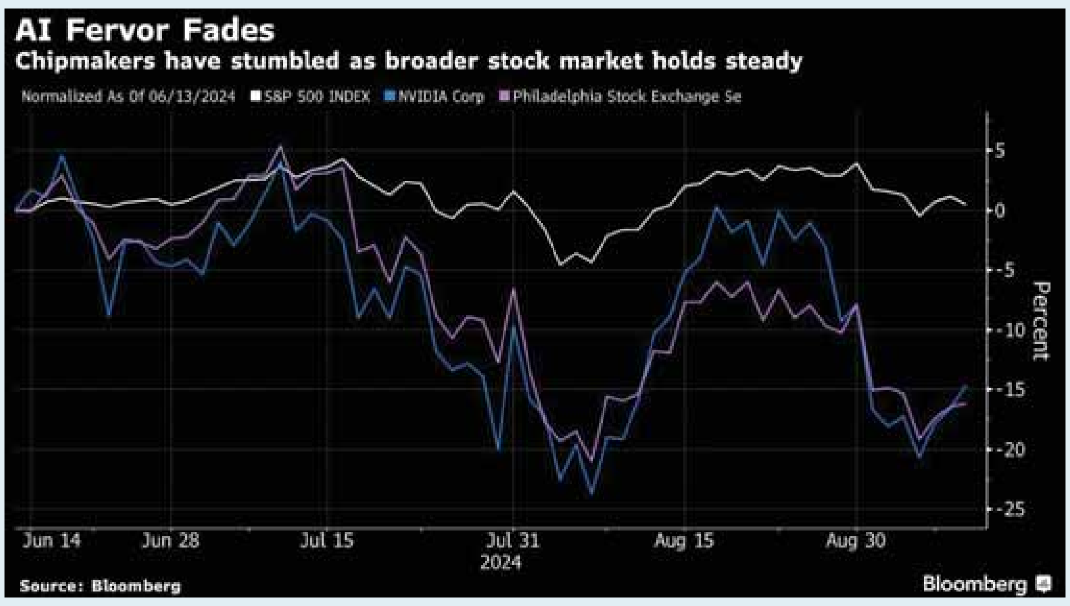
AMD, the second-largest maker of computer graphics chips, unveiled a version of its Instinct line last year aimed at the market that Nvidia's products dominate. At the Computex show in Taiwan in early June, AMD CEO Lisa Su announced that an updated version of its MI300 AI processor would go on sale in the fourth quarter and outlined that further products will follow in 2025 and 2026, showing her company's commitment to this business area. AMD and Intel, which is also designing chips geared for AI workloads, have said that their latest products compare favourably to the H100 and even its H200 successor in some scenarios.

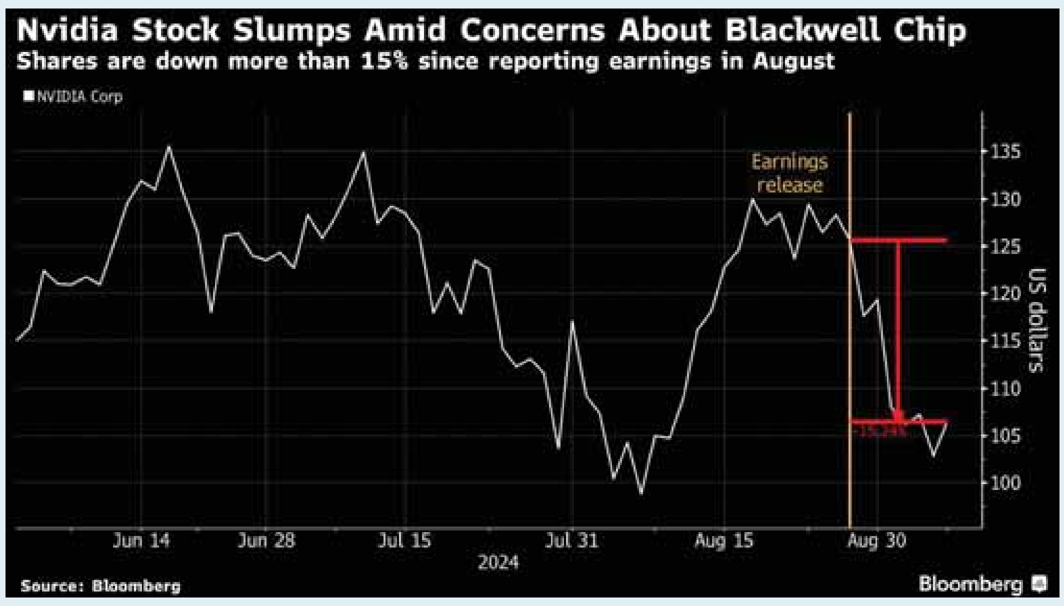
But none of Nvidia's rivals has yet accounted for the leap forward that the company says Blackwell will deliver. Nvidia's advantage isn't just in the performance of its hardware. The company invented something called CUDA, a language for its graphics chips that allows them to be programmed for the type of work that underpins AI applications. Widespread use of that software tool has helped keep the industry tied to Nvidia's hardware.

What is Nvidia planning on releasing next?

The most anticipated release is the Blackwell line, and Nvidia has said it expects to get "a lot" of revenue from the new product series this year. However, the company has hit engineering snags in its development that will slow the release of some products.

Meanwhile, demand for the H series hardware continues to grow. Huang has acted as an ambassador for the technology and sought to entice governments, as well as private enterprise, to buy early or risk being left behind by those who embrace AI. Nvidia also knows that once customers choose its technology for their generative AI projects, it will have a much easier time selling them upgrades than competitors.





QSE nears 10,600 level amid across the board buying

By Santhosh V Perumal
Business Reporter

China's proposed stimulus package lifted sentiments on the bourses world over, including the Qatar Stock Exchange, which yesterday gained as much as 39 points and its key index inched towards 10,600 levels.

An across the board buying – especially at the real estate, telecom and insurance counters – led the 20-stock Qatar Index to jump 0.37% to 10,581.66 points, although it touched an intraday low of 10,515 points.

The Gulf institutions were seen net buyers in the main market, whose year-to-date losses truncated to 2.3%.

As much as 59% of the traded constituents extended gains to investors in the main bourse, whose capitalisation added QR2.83bn or 0.46% to QR618.07bn on the back of small and microcap segments.

The local retail investors' weakened net selling had its influence in the main market, which saw 0.01mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.06mn trade across 11 deals.

The domestic funds' lower net profit booking also had its say in the main bourse, which saw no trading of treasury bills.

The foreign funds and individuals continued to be net buyers but with lesser intensity in the main market, which saw no trading of sovereign bonds.

The Islamic index was seen gaining faster than the other indices in the main bourse, whose trade turnover grew amidst lower volumes.

The Total Return Index rose 0.37%, the All Islamic Index by 0.35% and the All Share Index by 0.38% in the main market.

The realty sector index gained 0.99%, telecom (0.67%), insurance (0.41%), transport (0.35%), banks and financial services (0.32%), industrials (0.3%) and consumer goods and services (0.1%).

Major gainers in the main market included Ezdan, Beema, QLM, Medicare Group, Barwa, Qatar Industrial Manufacturing, Industries Qatar, Qamco and Ooredoo.

In the junior bourse, both Al Mahhar Holding and Techno Q saw their shares appreciate in value.

Nevertheless, Mazaya Qatar, Ahlibank Qatar, Al Faleh Educational Holding, Qatar Islamic Insurance, Al Meera and Baladna were among the losers in the main bourse.

The Gulf institutions turned net buyers to the tune of QR7.1mn compared with net sellers of QR8.34mn on September 25.

The Qatari individuals' net profit booking declined significantly to QR19.75mn against QR48.33mn the previous day.

The domestic institutions' net selling weakened substantially to QR0.49mn compared to QR19.37mn on Wednesday.

However, the Arab individuals' net profit booking strengthened markedly to QR4.27mn against QR2.93mn on September 25. The Gulf retail investors' net selling expanded noticeably to QR1.05mn compared to QR0.11mn the previous day.

The foreign institutions' net buying decreased drastically to QR18.42mn against QR73.85mn on Wednesday.

The foreign retail investors' net buying declined perceptibly to QR0.05mn compared to QR4.77mn on September 25.

The Arab institutions had no major net exposure against net buyers to the tune of QR0.47mn the previous day.

Trade volumes in the main market fell 10% to 264.61mn shares, while value rose 8% to QR576.89mn and transactions by 6% to 20,255.

The venture market saw trade volumes almost triple to 0.29mn equities and value more than double to QR0.67mn on 40% surge in deals to 35.

Bureau Veritas celebrates 40 years in Qatar

Global testing, inspection and certification firm Bureau Veritas celebrated '40 years in Qatar' with an anniversary ceremony in Doha.

As Qatar continues its ambitious journey to its National Vision 2030, which seeks to create a diversified, sustainable, and knowledge-based economy, Bureau Veritas said remains committed to providing the expertise, technology, and innovative solutions needed to achieve these goals.

Bureau Veritas' LEAP I 28 Strategy is perfectly aligned with National Vision 2030, focusing on sustainability, digital transformation, and workforce development.

Since its establishment in Qatar in the early 1980s, Bureau Veritas has supported its customers in Qatar and become a trusted partner across the nation's most critical sectors – from energy to infrastructure.

Today, Bureau Veritas has a growing presence in Qatar with over 600 experts, both local and international, in three facilities.

To celebrate this milestone, Bureau Veritas' Group CEO, Hinda Gharbi attended the anniversary ceremony in Doha, where she reflected on the 40-year journey of collaboration and trust between Bureau Veritas, its valued clients and partners in Qatar.

Gharbi commented, "We are proud to celebrate four decades of presence in Qatar and we thank our clients, partners and the community for their trust and support. I would also like to thank our local teams, whose expertise and commitment have been instrumental in our success here."

Qatar sees higher potential for co-operation with Azerbaijan

Qatar finds increased potential for collaboration with Azerbaijan in food security, renewable energy, industry, logistics, and transportation sectors, according to top official of the Ministry of Commerce and Industry.

This comes as Qatar joined the second edition of the Gulf-Azerbaijan Economic Forum, held in Baku from September 25 to 26, under the theme 'Sustainability – Investments – Partnerships'.

The Qatari delegation was led by Mohamed bin Hassan al-Malki, Undersecretary of the Ministry of Commerce and Industry. In addition, several officials from the Gulf Co-operation Council (GCC) countries and Azerbaijan, as well as a group of businessmen, attended the forum.

Emphasising the importance of the forum in strengthening trade, economic, and investment relations between the Gulf countries and Azerbaijan; he highlighted the potential for collaboration in food security, renewable energy, industry, logistics, and transportation sectors, offering investment opportunities to support sustainable development and boost trade between the two sides.

Al-Malki also stressed the strong relations between Qatar and Azerbaijan. Qatar had hosted the third Arab Economic and Co-operation Forum with the countries of Central Asia and Azerbaijan last April, which aimed to enhance economic, trade, and investment co-operation between these countries.

He made a special mention of Qatar's Third National Development Strategy, which focuses on developing priority sectors such as low-carbon metals production and renewable energy.

The forum included panel discussions on renewable energy, water and electricity, transportation, and logistics, in addition to strategic partnerships between the Gulf countries and Azerbaijan in the fields of agriculture, food security, and food industries.

The forum also featured field visits to several economic and industrial zones in Baku, along with bilateral meetings between GCC and Azerbaijani business leaders to explore potential collaborations and investment opportunities.

Mohamed bin Hassan al-Malki, Undersecretary of the Ministry of Commerce and Industry, addresses the second edition of the Gulf-Azerbaijan Economic Forum in Baku.

Al-Malki along with the other officials at the forum in Baku.

Dubai seeks to fast-track hedge fund boom with new platform

Bloomberg
Dubai

Capricorn Fund Managers Ltd is starting a regulatory hosting platform in Dubai that seeks to help hedge funds and investment companies quickly start operations in the city's financial hub.

The London-based firm will allow investment managers to carry out regulated activities under its license at the Dubai International Financial Centre, according to a statement.

"Through Capricorn's hosting solution, we are adding a new route for managers to get licensed and operational in Dubai," said Salmaan Jaffery, chief business development officer of the DIFC.

Regulatory hosting platforms offer services that enable firms to cut costs. They also help with many of the administrative aspects of business, leaving investment managers free to focus on making money.

Dubai has emerged as a magnet for hedge funds over the past few years. Industry giants from Millennium Management to Balyasny Asset Management have all expanded operations in the Gulf city, drawn by a slew of incentives, a favourable timezone and a low tax regime.

The influx has pushed the hedge fund industry's headcount in Dubai to over 1,000, and its financial freezone has seen employee numbers surge by two-thirds since 2019 to nearly 44,000. The DIFC now houses more than 400 wealth and asset management firms, including more than 60 hedge funds.

Capricorn Fund Managers is part of the Capricorn Group, a family-owned business that has been involved in alternative investments since 1994 and investment management since 2003.

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Kenya said in talks for $1.5bn Abu Dhabi financing

Bloomberg
Dubai

Kenya is in talks for a $1.5bn loan from Abu Dhabi to help bridge the East African nation's budget-financing gap, according to people with knowledge of the plans.

The loan will carry an interest rate of about 8.2%, according to two of the people, who asked not to be identified as the discussions are private. That's lower than prevailing yields for Kenya's sovereign bonds. Finer details on the package are still in discussion and may change, the people said.

In comparison, the yield on Kenya's 2031 eurobonds was down 31 basis points to 9.619% by close of trade on Wednesday, and little changed from 9.75% coupon at issue in February.

It's the latest in a series of bailouts Abu Dhabi has extended to African countries in recent years — including $35bn to Egypt earlier this year — as it seeks to build influence on the continent.

Kenya, which is awaiting a long-delayed $600mn International Monetary Fund programme disbursement, is in dire need of funds. The Treasury is walking a financing tightrope after deadly protests forced President William Ruto's administration to abandon tax measures that would have collected $2.7bn this year. As a result, Kenya has widened its budget deficit to 4.3% of gross domestic product for the current fiscal year through June from an initial 3.3%, potentially breaching IMF-programme targets.

To fill that hole, it plans to take on about $2.8bn foreign loans and borrow $3.2bn locally.

Kenyan Treasury Secretary John Mbadi didn't answer calls and text messages to his mobile phone. The United Arab Emirates's foreign ministry didn't respond to an emailed request for comment.

The cash from the oil-rich emirate will boost Kenya's foreign-currency reserves and further buttress the shilling, already one the world's best-performing currencies against the dollar this year, according to data compiled by Bloomberg.

Gulf states have spent some of their petrodollars to deepen their influence in Africa while countering dominant powers such as the US, China and Russia.

While Kenya aims to diversify from expensive commercial borrowing, it may be locked out of those markets due to concerns about its capacity to repay. The IMF classifies its debt as being at high risk of distress and has helped the nation address that vulnerability with a $3.6bn package.

The IMF declined to comment on Kenya's discussions with specific bilateral creditors.