PAYMENT SOLUTION | Page 8

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GULF TIMES BUSINESS

SIGNIFICANT STEP: Page 2

China flags more fiscal stimulus to revive its economy

Qatar's non-energy sector to strengthen and grow this year: Oxford Economics

By Pratap John
Business Editor

Qatar's non-energy sector will strengthen and estimated to grow by 2.4% this year, up from 1.1% in 2023, according to Oxford Economics.

Growth in the non-energy sector improved at the end of last year, picking up to 1.7% year-on-year (y-o-y) in Q4-2023, from an average of 0.8% in the preceding three quarters.

Performance was mixed across sectors at the end of last year, with positive trends in the wholesale and retail and hospitality-related sectors offset by drags spanning administrative and professional services, finance and insurance, and information and communications technology.

The latest Purchasing Managers' Index (PMI) survey showed business conditions in Qatar have continued to improve, consistent with Oxford Economics' 2024 non-energy sector growth projection of 2.4%.

The August PMI rose to 53.1 (the third-highest reading this year), from 51.3 in July. Most of the subindices, including output and new orders, showed stronger growth in August, and expectations about future activity strengthened to the highest level in nearly 18 months. The employment index was a key contributor to the improvement in the headline index in August as it surged to a near-record high.

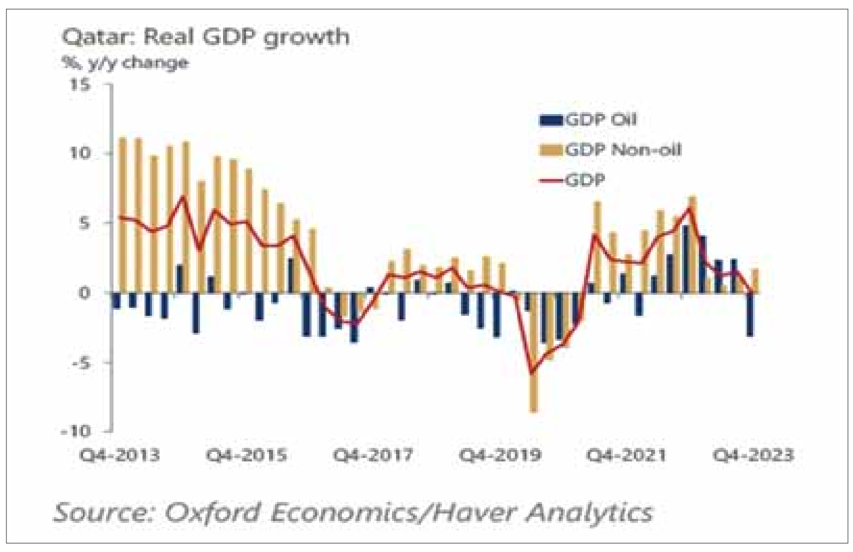
Meanwhile, industry posted a sixth consecutive year-on-year decline in July, though downward pressure appears to be easing outside of plastics and cement production.

According to Oxford Economics, tourism has provided a key support to non-energy activities and will remain a driver of future growth. Data show the number of foreign arrivals neared 3mn in the year to July, on track to meet the researcher's forecast of 4.5mn overnight visitors this year.

The launch of the pan-GCC visa should help extend the positive performance in 2025, it said.

The researcher's average inflation forecasts are unchanged at 0.9% this year and 1.8% for 2025. Headline inflation rose to 1.2% in August, from 0.2% in July, lifted primarily by higher communications and recreation and culture prices.

Restaurant and hotel costs also rose at a faster pace, while clothing, housing, and utilities remained on a disinflationary path. Rising wage pressures and non-staff costs will push output prices higher in the months ahead, contributing to a rise in inflation into 2025, Oxford Economics noted.



BUSINESS

Qatar Chamber official lauds wise leadership's support for Qatari women at the GCC forum

Qatar Chamber recently participated in the 'Sixth GCC Businesswomen Forum', held under the slogan 'Thought Leaders... Truly Inspiring'. Held under the patronage of Sayyida Meyyan bint Shihab bin Tariq al-Said, the event was organised by the Oman Chamber of Commerce and Industry (OCCI), in collaboration with the Federation of Gulf Chambers in the North Al Batinah Governorate, Sohar, Sultanate of Oman.

The chamber's delegation was led by Qatar Chamber board member Ibtihaj al-Ahmadani, who is also the president of the Qatari Businesswomen Forum. The delegation included Sheikha Noor Jassim al-Thani, Hind Khamis al-Kuwari, Noor Mohammed al-Mansouri, Fatima Ghanem al-Kubaisi, and Noora al-Awlan, director of the Research & Studies Department, along with several Qatari businesswomen.

The forum highlighted successful models of female entrepreneurs in the Gulf. It featured two main sessions: 'Women in the Gulf economy' and 'The impact of innovation and modern technologies in supporting the investments of businesswomen'. Speaking on the sidelines of the forum, al-Ahmadani said Doha will host the seventh edition of the forum in the fourth quarter of 2025.

She called for the creation of a committee to study and follow up on the forum's outcomes and recommendations.

In her remarks during the first panel, al-Ahmadani discussed women's empowerment in the economy, highlighting the significant progress of Gulf women across various sectors and their increasing representation in higher positions within ministries and other sectors. Al-Ahmadani also emphasised the unwavering support of the wise leadership for Qatari women, noting that this support has paved the way for their participation in various activities and their ability to occupy diverse positions.

She reviewed several successful initiatives in Qatar, including the Education Above All (EAA) Foundation, which was founded by Her Highness Sheikha Moza bint Nasser in 2012 to provide education for marginal societies.

Al-Ahmadani underlined the efforts of Gulf countries in diversifying their economies and reducing dependence on oil for national income, which have been accompanied by a growing role for the private sector and a noticeable contribution from women in these sectors and activities.

On the other hand, al-Kuwari participated in the panel 'The impact of innovation and modern technologies in supporting the investments of businesswomen'.

Qatar Chamber board member Ibtihaj al-Ahmadani during the panel discussion.

Qatar Chamber to reduce membership fees 'soon', says Sheikh Khalifa

Qatar Chamber chairman Sheikh Khalifa bin Jassim al-Thani has announced that the chamber's membership fees will be reduced soon to alleviate burdens on the private sector.

He pointed out that the Cabinet's forthcoming decision in this regard aligns with the government's policy to facilitate the business environment and encourage investment in the state. Sheikh Khalifa emphasised the chamber's commitment to easing the burdens on local companies, particularly on membership fees, noting that the initiative is in line with similar measures recently adopted by some ministries and government bodies.

The forthcoming decision is expected to include a 50% decrease in annual membership fees to QR5,000 for shareholding companies, holding companies, and foreign companies involved in contracts with the state.

For limited liability companies, general partnership companies, simple partnership companies, joint venture companies, and partnerships limited by shares, the annual membership fees will be set at QR500, regardless of the company's capital or type of activity.

As for the authentication and certification services, the fees remain fixed at QR50. It is noteworthy that these fees have not changed since the issuance of Law No 11 of 1990.


Qatar Chamber chairman Sheikh Khalifa bin Jassim al-Thani.

Japan suspends Nomura from bond auctions after manipulation

Bloomberg
Tokyo

Japan's Ministry of Finance is temporarily excluding Nomura Holdings Inc from primary dealer privileges at government debt auctions after the firm admitted to manipulating the bond futures market. Nomura will be suspended from "special entitlements" of Japanese government bond dealers from October 15 to November 14, the ministry said in a statement on its website on Friday.

The action, reported earlier by Bloomberg, is another setback to Nomura after the revelations led several companies including Toyota Finance Corp to take their bond underwriting business elsewhere. As one of the biggest players in government bond auctions, Nomura's suspension will increase the burden on other bidders, analysts said.

"The weight of other brokerages will increase," said Takashi Fujiwara, chief fund manager at Resona Asset Management Co's fixed-income investment division in Tokyo. "There is a particular concern that there is an oversupply of super-long-term bonds, and that liquidity may decline."

The suspension includes participation in certain debt sales including non-price competitive auctions. Still, a Finance Ministry official said at a briefing in Tokyo that it is unlikely to have a significant impact on the market.

Nomura ranked fourth among primary dealers by successful bids weighted by duration in the six months through September. So-called special participants at bond auctions are given access to ministry officials in return for an obligation to bid for and purchase a certain amount of bonds.

The group had 19 members as of December, according to the ministry's website.

China flags more fiscal stimulus to revive sputtering economy

Reuters
Beijing

China pledged yesterday to "significantly increase" debt to revive its sputtering economy, but left investors guessing on the overall size of the stimulus package, a vital detail to gauge the longevity of its recent stock market rally.

Finance Minister Lan Foan told a press conference Beijing will help local governments tackle their debt problems, offer subsidies to people with low incomes, support the property market and replenish state banks' capital, among other measures.

These are all steps investors have been urging China to take as the world's second-largest economy loses momentum and struggles to overcome deflationary pressures and lift consumer confidence amid a sharp property market downturn. But Lan's omission of a dollar figure for the package is likely to prolong investors' nervous wait for a clearer policy roadmap until the next meeting of China's rubber-stamp legislature, which approves extra debt issuance. A date for the meeting has yet to be announced but it is expected in coming weeks.

The press conference "was strong on determination but lacking in numerical details," said Vasu Menon, managing director for investment strategy at OCBC in Singapore.

"The big bang fiscal stimulus that investors were hoping for to keep the stock market rally going did not come through," said Menon, adding this may "disappoint some" in the market.


China's finance minister Lan Foan (right) speaks next to vice-minister of finance Wang Dongwei during a press conference in Beijing yesterday.

A wide range of economic data in recent months has missed forecasts, raising concerns among economists and investors that the government's roughly 5% growth target this year was at risk and that a longer-term structural slowdown could be in play.

Data for September, which will be released over the coming week, is expected to show further weakness, but officials have expressed "full confidence" that the 2024 target will be met.

New fiscal stimulus has been the subject of intense speculation in global financial markets after a September meeting of the Communist Party's top leaders, the Politburo, signalled an increased sense of urgency about the economy.

Chinese stocks reached two-year highs, spiking 25% within days since that meeting, before retreating as nerves set in given the absence of further policy details from officials. Global commodity markets from iron ore to industrial metals and oil have also been volatile on hopes stimulus will stoke sluggish Chinese demand.

Reuters reported last month that China plans to issue special sovereign bonds worth about 2tn yuan ($284.43bn) this year as part of fresh fiscal stimulus. Half of that would be used to help local governments tackle their debt problems, while the other half will subsidise purchases of home appliances and other goods as well as finance a monthly allowance of about 800 yuan, or $114, per child to all households with two or more children.

Separately, Bloomberg News reported that China is also considering injecting up to 1tn yuan of capital into its biggest state banks, though analysts say more lending firepower will come up against stubbornly weak credit demand.

The central bank in late September announced the most aggressive monetary support measures since the Covid-19 pandemic, including interest rate cuts, a 1tn yuan liquidity injection and other steps to support the property and stock markets.

While the measures have lifted market sentiment, analysts say Beijing also needs to firmly address more deeply-rooted structural issues such as boosting consumption and reducing its reliance on debt-fuelled infrastructure investment.

Most of China's fiscal stimulus still goes into investment, but this leads to debt outpacing economic growth as returns are dwindling.

The International Monetary Fund estimates central government debt at 24% of economic output. But the fund calculates overall public debt, including that of local governments, at about $16tn, or 116% of GDP.

"There is still relatively big room for China to issue debt and increase the fiscal deficit," said Lan.

Falling rates aren't as bad as feared for JPMorgan and Wells Fargo

Bloomberg
New York

For months, investors had been worried that the Federal Reserve's effort to engineer a soft landing for the US economy would spell trouble for the earnings of big US banks.

It turns out, things aren't as bad as they feared.

JPMorgan Chase & Co churned out a surprise increase in net interest income — a key metric that shows the difference between what banks collect on loans and what they pay out to depositors.

At Wells Fargo & Co, NII slumped 11% in the third quarter to $11.7bn — its seventh quarterly decline — but it's expecting that drop to be less steep in the final three months of the year.

"We believe we are close to the trough," Chief Financial Officer Michael Santomassimo said on a conference call with analysts.

For years, persistently high interest rates have buoyed lenders' net interest income, handing the industry record profits. That had investors worried that when the Federal Reserve began to cut rates, it would start to sap profits, hindering banks from doling out billions in dividends or doing share buybacks.

On Friday, though, they chose to focus on the bright spots. Shares of JPMorgan soared after the bank's executives said a looming drop in net interest income could be over by the middle of next year. Wells Fargo shares also jumped as the bank booked a $477mn loss to set up its bond book to better benefit from changes in the interest rate environment.

"We do see a pretty clear picture of sequential declines" of net interest income, JPMorgan Chief Financial Officer Jeremy Barnum said on a conference call with analysts, noting the metric could trough in the middle of 2025. "We're guessing. It's pretty far out in the future."

He also struck a more positive note on consumer health, which he said remains stable, and the corporate segment — which he said is benefiting from a "Goldilocks economic situation".

In Wells Fargo's case, part of the reason the bank believes the drops in net interest income will soon moderate is that lower interest rates will reduce some of the pressure it's been under to pay out more to depositors.

The company has seen a bevy of customers migrate to higher-yielding deposit products like certificates of deposits in recent years and, in the second quarter alone, about half of the decline in net interest income was due to higher prices it offered customers with sweep deposits in the bank's advisory brokerage accounts.

"Obviously, deposit pricing as rates come back down is going to be a big factor," Santomassimo said. "On the consumer side, we've already adjusted the promo rates as well as CDs. Those will continue to adjust as rates move."

There's one group inside the banks that have been patiently awaiting the arrival of lower interest rates: dealmakers.

Central bank activity in recent years had created uncertainty for corporate chiefs around the world, making them hesitant to pursue deals. Private equity giants have also remained on the sidelines after higher rates crimped the value of many of their pandemic-era investments and made it more costly for them to refinance existing debt.

Bond traders' big week ends with Fed cuts even less certain

Bloomberg
Washington

The bond market is growing less convinced by the day that the Federal Reserve will embark on two further interest-rate cuts this year.
Traders are pricing in roughly a 20% probability the Fed holds rates steady in either November or December. This time last week, even after Friday's blockbuster jobs report, swaps still implied more than 50 basis points of cuts by year-end, likely via consecutive cuts.
Treasuries have slumped this week as a result. A Bloomberg gauge of US bonds is poised for a fourth-straight week of declines — its worst streak since April. Yields on 10-year notes are back above 4%, and the 30-year bond's yield touched 4.42%, the highest level since July 30.
The shift reflects a slew of mixed reports on the US economy that have failed to make the case for significantly looser monetary policy. While the Fed's so-called dot plot showed officials' median rate expectations project two further cuts this year, nine of 19 officials saw only one reduction at most.
That division among the hawks and doves at the Fed has been on display this week.
A handful of Fed officials, including New York Fed President John Williams, mostly shrugged off higher-than-expected consumer inflation gauges released Thursday and signalled they support continued rate reductions. Atlanta Fed President Raphael Bostic, however, said he would consider a pause in rate cuts, and Dallas Fed President Lorie Logan reiterated on Friday that interest rates should move at a slow pace to a more normal level.
"The market is less sure about what happens in upcoming FOMC meetings, but more confident — judging by a near-50-basis-point rise in 10-year yields since mid-September, that a 'hard landing' is going to be avoided," Societe Generale SA's Kit Juckes wrote in a note. That suggests a view that "'no-landing' is as likely as a soft landing, bringing with it concern that if fiscal restraint isn't forthcoming, upside inflation risks may re-emerge."
Thursday's September consumer price index report reinforced signs of an uptick in wage pressures seen in last week's payrolls data.
Wholesale prices data released on Friday were more benign overall.
Some investors say the selloff provides buying opportunities because the Fed remains on the course of policy easing, even if the pace of rate reduction remains uncertain.
"We do see there's a bit of value in buying, not necessarily in the long end, but rather in one- to five-year" sectors, said Leslie Falconio, head of US taxable fixed income strategy in UBS Asset Management's chief investment office, on Bloomberg Television. "They are still on a path of normalizing" interest rates, she said.
Activity in derivatives markets shows investors hedging for fewer rate cuts than currently expected.
Demand for options referencing the Secured Overnight Financing Rate has focused on contracts that target one additional rate cut this year. In the futures market, there's been a wave of liquidations of bets on bond gains.
Friday's Treasury options flows included several notable bearish wagers that helped steepen the yield curve. A purchase of December puts on 10-year notes targeted a yield increase to around 4.5% by their November 22 expiration date, while a couple of large block trades of December puts on the Bond contract look for a yield increase to roughly 4.75% by the same date.
"I am looking for more bear steepening," said Chris Ahrens, a strategist at Stifel Nicolaus & Co. "The yield concession for still resilient and above-target inflation, fiscal deterioration, and political uncertainty should increase."
The impending US presidential election is also on investors' mind. Ella Hoxha, head of fixed income at Newton Investment Management, a UK-based asset manager, said she's cut exposure to long-dated US Treasuries to reduce the risk exposure in the run-up to the November 5 election.
"It makes sense here to have lower levels of risk, particularly given that we have quite a bit of event risks ahead of us over the next several weeks," Hoxha said in an interview with Bloomberg Television.

Big US banks say consumers are still strong, despite economy fears

Reuters
New York

US consumers remain resilient with solid spending in the third quarter, two of the country's biggest lenders said on Friday, although there are signs higher inflation has stretched some Americans on lower incomes. Strong earnings from JPMorgan Chase and Wells Fargo and upbeat comments from their top executives should further ease investor worries that elevated borrowing costs were weighing on consumers and pushing the economy to the cusp of a downturn, even as JPMorgan hiked provisions for soured loans.

"Overall, we see the spending patterns as being sort of solid," said Jeremy Barnum, chief financial officer of JPMorgan, the country's largest lender and a bellwether for the US economy, adding spending had normalised from a post-pandemic bounce when Americans splurged on travel and eating out.

Weakening job market data had sparked concerns that Federal Reserve rate hikes aimed at taming inflation may tip the US into a recession or "hard landing." But speaking to analysts, Barnum said spending patterns were "consistent with the narrative that consumers are on solid footing and consistent with a strong labour market and the current central case of a kind of 'no-landing' scenario economically." Speaking to reporters, Wells Fargo chief financial officer Michael Santomassimo said spending on credit and debit cards, while down a little from earlier this year, was still "quite solid." The market will get a fuller picture when Bank of America and Citigroup, the country's other two major consumer banks, report next week and retail sales data is released. Several investors said Friday's earnings were so far a positive sign.

"The fact that… not only are we averting a hard landing, there might even be a chance that there's no landing, and that we're able to continue to push forward is definitely going to be a big windfall for banks," said Taylor Krystkowiak, vice president and investment strategist at Themes ETFs.

Still, Santomassimo warned that the cumulative impact of higher inflation was stretching lower-income consumers and the bank was watching to see if that pattern spread to higher income customers.

Consumer sentiment also slipped in October amid lingering frustration over high prices, a University of Michigan survey showed on Friday.

"When you look at the overall average it looks good, but I think it's being skewed more by the higher income, higher net worth consumer," said Paul Nolte, senior wealth advisor and market strategist for Murphy & Sylvest in Elmhurst, Illinois.

"For those around the lower end, it's been a little bit tougher. We're seeing delinquencies and car loans pick up. We're seeing smaller deposits, more credit card balances," he added.

Both banks set aside cash to cover potential soured loans. JPMorgan set aside $3.11bn, a jump on the $1.38bn it put aside a year ago. Wells Fargo, meanwhile, set aside $1.07bn, down slightly from the $1.2bn it provisioned this time last year.

More than decade-high credit card delinquencies had also stoked fears earlier this year that Americans were becoming overstretched, but that picture improved in the second quarter, the Federal Reserve Bank of Philadelphia said on Wednesday.

Impaired borrowing between one month and longer horizons marked its biggest retreat in three years, although it would be premature to declare a turning point for credit performance, the Philadelphia Fed said.

Hedged-up Wall Street traders still haunted by August meltdown

Bloomberg
New York

Take a snapshot of markets right now, and it's a picture of health. Stocks are at records, corporate bonds show no signs of worry and commodities remain buoyant on global economic optimism.

Drill down though, and the outlook quickly turns murky. Alongside all the outward cheer, volatility is an equally big story in almost every asset class. Traders, who got blindsided when things turned violently against them in August and September, are piling into hedges — pushing the cost of protection up almost as fast as markets themselves.

The rush is creating unusual contours across assets. In one example, volatility indexes in equities and Treasuries just capped two of their bigger weekly advances of the year. The run-ups left both fear gauges at their highest in more than two decades — when plotted against other periods when the S&P 500 sat at a record.

All in, sentiment remains febrile among key constituencies on Wall Street, thanks to next month's US election, the uncertain Federal Reserve policy trajectory and recent market traumas.

"The odds that a low-probability, very bad event will happen are higher," said Amy Wu Silverman, head of derivatives strategy at RBC Capital Markets. "Post the August VIX spike markets have normalised and made new highs. Yet, the underlying 'worry' had remained elevated."

While asset prices frequently rise at times of investor anxiety, the situation now is especially extreme, with bullishness and scepticism both evident in equal parts. The S&P 500 has risen for five straight weeks and in eight of the last nine, closing Friday at its 45th record of the year after earnings from JPMorgan Chase & Co and Wells Fargo & Co topped estimates. US investment-grade bond spreads are the narrowest in more than three years.

A trader works on the floor of the New York Stock Exchange. The S&P 500 has risen for five straight weeks and in eight of the last nine, closing Friday at its 45th record of the year after earnings from JPMorgan Chase & Co and Wells Fargo & Co topped estimates.

At the same time, with market plunges of early August and September fresh in traders' minds, gauges of investor nervousness are flashing readings of caution that are rare during bullish regimes.

Both the Cboe Volatility Index in equities and the ICE BofA MOVE Index in Treasuries have risen sharply since the start of the month. A global measure of cross-asset risk kept by Bank of America Corp has hit the second-highest level of the year — eclipsed by only the early August selloff, which erased trillions of dollars from global share values in a matter of days. The indicator tracks stress across global equities, rates, currencies and commodities and measures future price swings implied by options. In other words, while calm prevails in the here and now, past shocks and uncertain prospects for the future are weighing heavily on sentiment.

Traders shell-shocked by summer chaos are coping with a deadlocked presidential race, war in the Middle East and a still-expanding economy that continues to fuel doubts, like this week's data on jobless claims.

At the same time, there's a growing sense Jerome Powell's Fed may be less inclined to immediately add fresh juice to the economy. Data Thursday showing higher-than-expected consumer inflation and last week's blowout US jobs report have caused traders to unwind bets on the size of the 2024 interest-rate cuts. Atlanta Fed President Raphael Bostic, for his part, said he'd be open to skipping another rate reduction next month.

"There is almost a sense of distrust in the market," said Peter Tchir, head of macro strategies at Academy Securities. "There are some large moves have occurred overnight. Lots of concerns and yet stocks generally drifting higher. We have had several rapid moves to the downside."

There are also signs short positions are rebuilding in bonds and stocks after investors rode a synchronized rally for five straight months. Bearish wagers against the SPDR S&P 500 ETF Trust have reached 2.4% of its outstanding shares, up from a four-year low of 1.6% at the start of the month, according to IHS Markit data. Similarly, iShares 20+ Year Treasury Bond ETF's short ratio hit a 15-month low in August but has now risen above 1%.

The options market shows that demand for protection for a big stock crash is brisk, with tail-risk hedging measures hitting levels rarely seen in the past two years. The MOVE Index, which tracks bond volatility, surged to its highest since January, while a similar measure for crude oil spiked to a level not seen in two years. The iShares iBoxx $ Investment Grade Corporate Bond ETF has seen its implied volatility rising relative to the realized price swings since August, in the latest sign traders are paying up for insurance against losses.

Still, the S&P 500 is up roughly 3% in the face of an increase of more than 40 basis points in 10-year Treasury yields over the past month — a feat of resilience not seen since April 2022.

"The market has been very strong despite several macro and micro risks," said Erika Maschmeyer, portfolio manager at Columbia Threadneedle Investments. "We would not be surprised to see a pullback as we approach the peak election period and next rate decision."

Earnings season is the next test for a market where the S&P 500's price-earnings ratio has risen to the highest level since 2021. While third-quarter profits are forecast to expand 4%, the slowest rate in a year, investors will focus on whether corporate income can rebound in the coming months. Analysts expect growth to accelerate to 14% next year, data compiled by Bloomberg Intelligence show.

"Investors are expressing extreme optimism. Valuations are very rich," said Michael O'Rourke, chief market strategist at JonesTrading. "The FOMC's aggressive easing stance despite robust economic data has fuelled investor overconfidence."

Rio takes step towards M&A redemption with $6.7bn lithium bet

Bloomberg
London

A little over a decade ago, Rio Tinto Group was reeling from the impact of disastrous investments. First, the bruising top-of-the-market purchase of aluminium group Alcan Inc, and then the ill-conceived swoop for Mozambique-focused coal outfit Riversdale Mining Ltd. The commodities boom cooled, top managers were pushed out and writedowns piled up.
Now — after billions in charges, cost cuts, plus several chief executives and multiple false starts — the miner has returned to the M&A fray, announcing the agreed $6.7bn acquisition of Arcadium Lithium Ltd this week.
Modest by comparison with past splurges, the all-cash deal is a significant and long-awaited expansion of Rio's bet on lithium, a metal other diversified miners have stayed away from, worried about geological abundance among other factors.
It also marks a clear step back towards acquisitive growth.
"The development of the Arcadium acquisition was years in the making," said Kaan Peker, analyst with RBC Capital Markets LLC. "Eventually, as we've seen over the course of the last couple of months, it was driven by a cyclical bottoming of the lithium price."
The mining sector across the board is only just beginning to shift its focus to expansion and deals. For years after the last frenzy soured, shareholders demanded only better returns. But while rival BHP Group tested the waters since 2022, with the move for OZ Minerals Ltd — and eventually bid unsuccessfully for Anglo American Plc, earlier this year — Rio has held back.
People familiar with the matter have long pointed to cumbersome internal structures and a conservative approach from Chief Executive Officer Jakob Stausholm, who was chief financial officer until the 2020 ousting of his predecessor provided an unexpected opening at the top. Public comments pointed away from deals.
But it's also true that the miner struggled with an issue that has dogged other large peers like BHP. What profit comes overwhelmingly from vast iron ore mines, it is hard to find additions that are lucrative — and sizeable — enough to move the needle. Copper is expensive and hard to find. Energy-transition friendly metals like lithium, used in batteries, tend to be smaller scale, with plenty of value in the processing and not just extraction.
Even with China's sputtering economy,

Jakob Stausholm, chief executive officer of Rio Tinto.

the profit margin for Rio's Pilbara iron ore operations was 67% in the first half of 2024.
Rio has significant additional copper and iron production due from Oyu Tolgoi in Mongolia and Simandou in Guinea, respectively. Still, its answer to the question of where new, greener growth will come from has been lithium.
The path has not been smooth. Efforts to invest in new materials through private equity-inspired unit Rio Ventures, starting in 2017, went virtually nowhere and attempts to buy into lithium heavyweight SQM around that time were also thwarted. Projects too have stumbled, with Jadar in Serbia, Stausholm's early bet, turning for a time into a local cause celebre.
"There were some people in Rio that were very disappointed they didn't buy the stake in SQM. If you look back at Rio in those days they weren't really ready," said George Cheveley, portfolio manager at Ninety One UK Ltd.
"Since Jakob became CEO, he has been fixing internal problems and projects that were stuck. Operationally, we've seen them hit their targets. Now to be moving into lithium and getting back to M&A is the obvious next step. You can see him rebuilding the company back to where it was."
Rio completed its $825mn purchase of the Rincon project in Argentina in 2022, but it was the collapse of lithium prices since the end of that year that opened up more avenues for M&A, with many new suppliers struggling to stay afloat.
The second-largest miner has seized the opportunity, and investors are cautiously welcoming a move that brings future production — Arcadium is projected to be the world's third-largest producer by 2030 — but also technological nous, particularly in direct lithium extraction, or DLE, which could turbocharge output.
"We are happy Rio's CEO Jakob Stausholm showed discipline and waited for the right time; makes a lot of sense and Arcadium is a nice add-on," said Matthew Haupt, a portfolio manager at Wilson Asset Management Ltd in Sydney, who holds both Rio and Arcadium.
Others echoed the sentiment — even with a premium to the undisturbed price of 90%, hefty despite the halving of Arcadium shares this year.
"You could almost say it's akin to what BHP did last year when they bought OZ Minerals. Go out there, do a deal that is a small percentage of your market cap, execute it and prove that you can buy well," said Barrenjoey analyst Glyn Lawcock. "The question now is whether there's more to come down the pipe after this."
Still, Rio has work to do when it comes to convincing all its investors that it's ready to get back to spending.
"If they indulge in large scale M&A, it'll be a negative thing," said Prasad Patkar at Platypus Asset Management. "I'm a little bit more comfortable with this transaction than I would've been with anything larger. Or any top-of-the-market stuff."
A Rio spokesman pointed to Stausholm's comments this week committing to remain disciplined in capital allocation, but declined to comment further.

QNB FINANCIAL SERVICES

Weekly Market Report

The Qatar Stock Exchange (QSE) Index increased by 44.02 points or 0.4% during the week to close at 10,509.27. Market capitalisation gained 0.4% to reach QR616.1bn from QR613.3bn at the end of the previous trading week. Of the 51 traded companies, 20 ended the week Higher and 31 ended lower. Qatar General Insurance & Reinsurance Company (QGRI) was the best performing stock for the week, going up by 15.2%. Meanwhile, Qatar German Medical Devices Company (QGMD) was the worst performing stock for the week, going down by 3.3%.

QNB Group (QNBK), Qatar International Islamic Bank (QIIK), and Commercial Bank (CBQK) were the main contributors to the weekly index rise. QNBK and QIIK added 32.90 and 10.84 points to the index, respectively. Further, CBQK put on another 9.57 points.

Traded value during the week fell by 11.9% to QR1,952.7mn from QR2,217.1mn in the prior trading week. QNB Group (QNBK) was the top value traded stock during the week with total traded value of QR196.3mn.

Traded volume dropped by 12.0% to 841.7mn shares compared with 956.2mn shares in the prior trading week. The number of transactions declined by 9.3% to 71,222 vs 78,555 in the prior week. Al Faleh Educational Holding (FALH) was the top volume traded stock during the week with total traded volume of 83.6mn shares.

Foreign institutions remained bearish, ending the week with net selling of QR54.9mn vs net selling of QR47.1mn in the prior week. Qatari institutions remained bullish with net buying of QR156.0mn vs net buying of QR57.8mn in the week before. Foreign retail investors ended the week with net selling of QR35.2mn vs net selling of QR19.9mn in the prior week. Qatari retail investors recorded net selling of QR66.0mn vs net buying of QR9.2mn the week before. YTD (as of Thursday's closing), global foreign institutions were net buyers by $6.6mn, while GCC institutions were net sellers of Qatari stocks by $316.5mn.

DISCLAIMER

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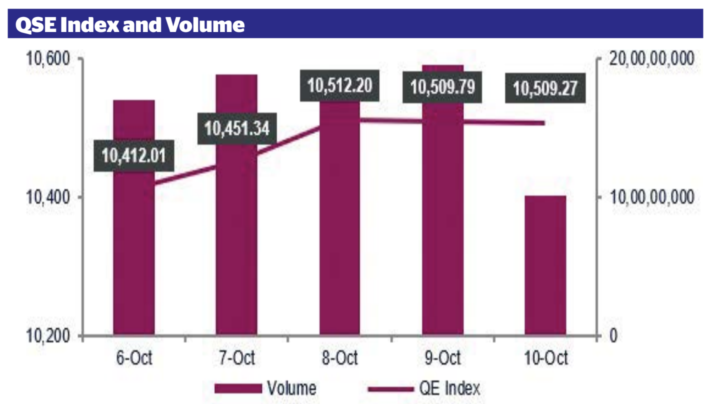
Market Indicators	Week ended. Oct 10, 2024	Week ended. Oct 03, 2024	Chg. %
Value Traded (QR mn)	1,952.7	2,217.1	(11.9)
Exch. Market Cap. (QR mn)	616,083.7	613,334.8	0.4
Volume (mn)	841.7	956.2	(12.0)
Number of Transactions	71,222	78,555	(9.3)
Companies Traded	51	51	0.0
Market Breadth	20:31	12:38	–

Source: Qatar Exchange (QE)

Market Indices	Close	WTD%	MTD%	YTD%
Total Return	23,966.65	0.4	(1.0)	3.1
ALL Share Index	3,756.12	0.5	(0.8)	3.5
Banks and Financial Services	4,674.39	1.1	(0.4)	2.0
Industrials	4,251.43	0.2	(0.0)	3.3
Transportation	5,324.22	0.6	(0.7)	24.2
Real Estate	1,576.55	(1.8)	(2.9)	5.0
Insurance	2,381.24	0.1	(2.0)	(9.5)
Telecoms	1,756.29	(0.4)	(4.0)	3.0
Consumer Goods & Services	7,725.14	(0.9)	(1.4)	2.0
Al Rayan Islamic Index	4,840.61	(0.3)	(2.0)	1.6

Source: Qatar Exchange (QE)

QSE Index and Volume



Source: Qatar Exchange (QE)

Weekly Index Performance

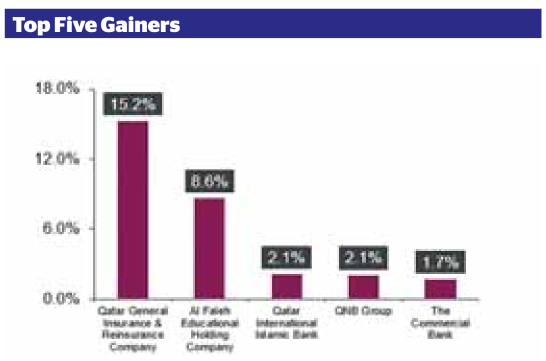
Source: Bloomberg

Regional Indices	Close	WTD%	MTD%	YTD%	Weekly Exchange Traded Value ($ mn)	Exchange Mkt. Cap. ($ mn)	TTM P/E**	P/B**	Dividend Yield
Qatar*	10,509.27	0.4	(1.0)	(3.0)	536.21	168,991.7	11.6	1.3	4.1
Dubai	4,437.56	0.9	(1.5)	9.3	337.57	202,828.9	8.6	1.3	5.5
Abu Dhabi	9,250.75	0.4	(1.9)	(3.4)	1,471.44	715,992.3	16.9	2.6	2.1
Saudi Arabia#	11,927.33	(0.3)	(2.4)	(0.3)	9,590.07	2,992,107.7	19.8	2.4	3.7
Kuwait	7,048.23	0.2	(1.2)	3.4	1,313.65	150,416.4	18.6	1.7	3.4
Oman	4,750.96	1.7	0.9	5.2	27.86	24,081.3	12.2	0.9	5.3
Bahrain	1,998.90	(0.4)	(0.7)	1.4	7.63	20,541.2	7.8	0.7	3.6

Source: Bloomberg

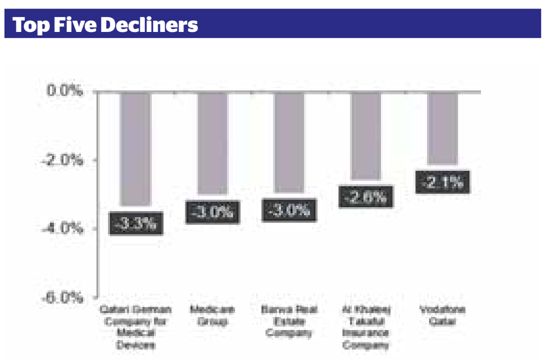
Qatar Stock Exchange

Top Five Gainers



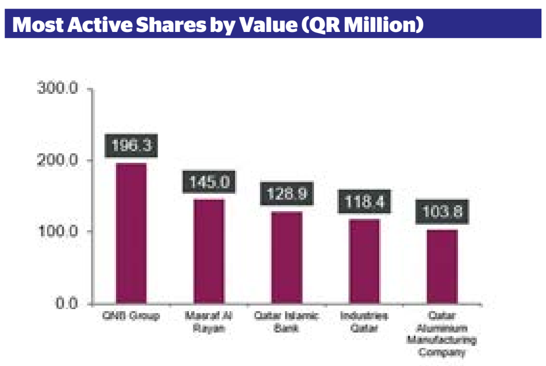
Source: Qatar Stock Exchange (QSE)

Top Five Decliners



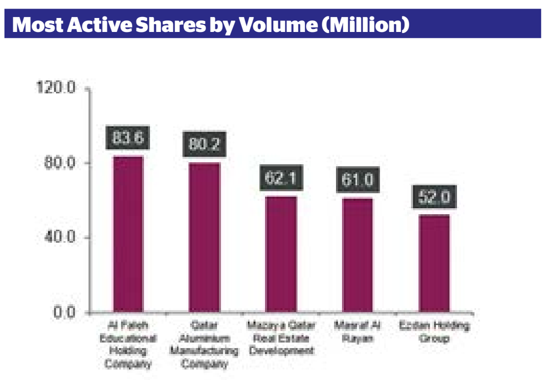
Source: Qatar Stock Exchange (QSE)

Most Active Shares by Value (QR Million)



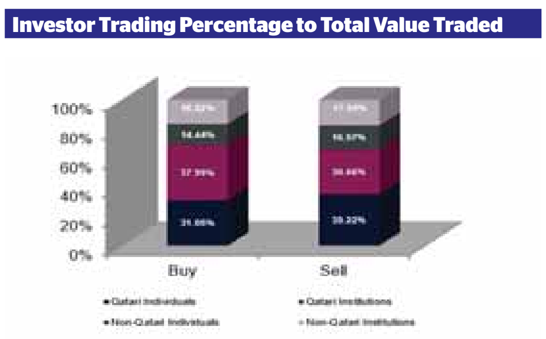
Source: Qatar Stock Exchange (QSE)

Most Active Shares by Volume (Million)



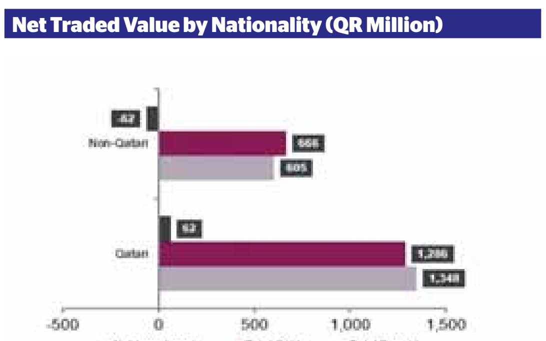
Source: Qatar Stock Exchange (QSE)

Investor Trading Percentage to Total Value Traded



Source: Qatar Stock Exchange (QSE)

Net Traded Value by Nationality (QR Million)



Source: Qatar Stock Exchange (QSE)

Company Name	Price October 10	% Change Weekly	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	17.29	2.07	4.60	159,698	10.5	1.7	3.8
Qatar Islamic Bank	20.95	0.24	(2.56)	49,503	11.8	1.9	2.4
Commercial Bank of Qatar	4.33	1.69	(30.18)	17,521	6.1	0.9	5.8
Doha Bank	1.74	1.52	(4.86)	5,398	6.8	0.5	4.3
Al Ahli Bank	3.71	(1.07)	2.43	9,465	11.6	1.4	6.7
Qatar International Islamic Bank	10.65	2.11	(0.37)	16,121	15.7	2.2	4.3
Masraf Al Rayan	2.37	(1.38)	(10.85)	22,013	15.4	0.9	4.2
Lesha Bank	1.39	1.16	5.22	1,559	14.0	1.2	N/A
National Leasing	0.80	(1.73)	9.33	394	23.9	0.6	3.8
Dlala Holding	1.22	(0.25)	(7.50)	232	477.3	1.3	N/A
Qatar & Oman Investment	0.73	(0.54)	(23.03)	231	N/A	1.0	N/A
Islamic Holding Group	4.25	1.02	2.46	241	15.0	1.5	1.2
Dukhan Bank	3.73	(1.97)	(6.16)	19,523	15.7	1.5	4.3
Banking and Financial Services				**301,899**			
Zad Holding	13.40	(1.47)	(0.74)	3,851	19.5	3.0	4.8
Qatar German Co. for Medical Devices	1.59	(3.34)	9.79	184	971.9	5.0	N/A
Salam International Investment	0.69	(1.58)	0.59	785	12.3	0.5	4.4
Baladna	1.37	1.11	11.52	2,595	15.5	1.1	5.1
Medicare Group	4.44	(3.02)	(19.18)	1,248	16.7	1.3	5.0
Qatar Cinema & Film Distribution	2.66	0.00	(8.17)	167	39.6	1.3	2.6
Qatar Fuel	15.15	(1.37)	(8.62)	15,063	14.7	1.7	5.3
Widam Food	2.71	0.56	14.83	488	88.8	3.0	N/A
Mannai Corp.	3.85	(1.61)	(8.28)	1,758	N/A	1.9	6.5
Al Meera Consumer Goods	14.62	0.62	6.02	3,012	16.4	1.9	5.8
Mekdam Holding Group	3.60	0.08	(10.22)	594	12.7	2.3	N/A
Meeza QSTP	3.42	0.56	19.17	2,219	36.7	3.2	2.4
Al Faleh Education Holding	0.87	8.61	2.72	209	17.4	0.8	3.6
Consumer Goods and Services				**32,174**			
Qatar Industrial Manufacturing	2.53	(0.35)	(15.63)	1,203	8.8	0.6	5.1
Qatar National Cement	3.71	(0.03)	(5.90)	2,427	13.0	0.8	8.1
Industries Qatar	13.12	0.54	0.31	79,376	15.2	2.1	4.7
Qatari Investors Group	1.47	(0.67)	(10.41)	1,830	11.8	0.6	10.2
Qatar Electricity and Water	15.76	0.38	(16.17)	17,336	11.7	1.2	3.2
Aamal	0.85	(0.12)	0.59	5,355	13.7	0.7	N/A
Gulf International Services	3.18	(1.49)	15.08	5,900	12.0	1.5	4.7
Mesaieed Petrochemical Holding	1.64	0.37	(8.39)	20,578	23.1	1.3	3.3
Estithmar Holding	1.80	(1.91)	(14.13)	6,124	16.6	1.2	N/A
Qatar Aluminum Manufacturing	1.29	(1.08)	(8.21)	7,170	16.3	1.1	4.7
Industrials				**147,300**			
Qatar Insurance	2.12	(1.58)	(18.11)	6,927	11.2	1.1	4.7
QLM Life & Medical Insurance	2.09	(1.88)	(16.37)	732	10.2	1.2	6.0
Doha Insurance	2.49	(1.03)	4.35	1,247	6.9	1.0	7.0
Qatar General Insurance & Reinsurance	1.45	15.23	(1.70)	1,264	N/A	0.4	N/A
Al Khaleej Takaful Insurance	2.27	(2.57)	(23.43)	581	8.9	1.0	5.3
Qatar Islamic Insurance	8.28	(0.31)	(6.98)	1,242	7.9	2.3	6.0
Damaan Islamic Insurance Company	4.00	0.13	0.18	799	10.3	1.6	4.5
Insurance				**12,792**			
United Development	1.12	(0.09)	5.35	3,973	11.1	0.4	4.9
Barwa Real Estate	2.78	(2.96)	(3.80)	10,833	8.8	0.5	6.5
Ezdan Real Estate	0.92	(1.40)	6.88	24,323	211.8	0.7	N/A
Mazaya Qatar Real Estate Development	0.61	(1.61)	(15.63)	610	N/A	0.6	4.1
Real Estate				**39,739**			
Ooredoo	11.20	0.18	(1.75)	35,876	11.6	1.3	4.9
Vodafone Qatar	1.83	(2.14)	(4.09)	7,731	13.5	1.6	6.0
Telecoms				**43,607**			
Qatar Navigation (Milaha)	11.20	(0.18)	15.46	12,725	12.6	0.8	3.3
Gulf Warehousing	3.55	(1.17)	13.19	208	10.4	0.9	3.1
Qatar Gas Transport (Nakilat)	4.31	1.41	22.44	23,879	14.8	2.0	3.2
Transportation				**36,811**			
Qatar Exchange				**616,084**			

Technical analysis of the QSE index

The QE Index declined by 0.4% for the week, closing at 10,509.27. The index continues to consolidate within a defined range between 10,800 (resistance) and 9,800 (support). A confirmed breakout above the 10,800-resistance level is needed to trigger a bullish continuation, while failure to do so suggests the index will remain in consolidation.

Definitions of key terms used in technical analysis

RSI (Relative Strength Index) indicator – RSI is a momentum oscillator that measures the speed and change of price movements. The RSI oscillates between 0 to 100. The index is deemed to be overbought once the RSI approaches the 70 level, indicating that a correction is likely. On the other hand, if the RSI approaches 30, it is an indication that the index may be getting oversold and therefore likely to bounce back.

MACD (Moving Average Convergence Divergence) indicator – The indicator consists of the MACD line and a signal line. The divergence or the convergence of the MACD line with the signal line indicates the strength in the momentum during the uptrend or downtrend, as the case may be. When the MACD crosses the signal line from below and trades above it, it gives a positive indication. The reverse is the situation for a bearish trend.

Candlestick chart – A candlestick chart is a price chart that displays the high, low, open, and close for a security. The 'body' of the candlestick is portion between the open and close price, while the high and low intraday movements form the 'shadow'. The candlestick may represent any time frame. We use a one-day candlestick chart (every candlestick represents one trading day) in our analysis.

'Fawran' provides an instant local payment solution that aims to transform the customers' banking experience

Commercial Bank supports 'Fawran' on Corporate Internet Banking Portal

In alignment with the third financial sector strategy and Qatar Central Bank's efforts to advance the payment system infrastructure in Qatar, Commercial Bank is one of the first banks to support and introduce 'Fawran' on Corporate Internet Banking Portal (CIB).

'Fawran' provides an instant local payment solution that aims to transform the customers' banking experience. With unparalleled speed, round-the-clock accessibility, and a simplified beneficiary setup, 'Fawran' ushers in a new standard of convenience for businesses.

Commercial Bank Group CEO Joseph Abraham said: "The launch of 'Fawran' reflects the Bank's commitment to supporting every initiative placed by Qatar Central Bank. This feature is a crucial part of the QCB national long-term strategic vision to deliver faster, more accessible, and customer-centric banking solutions."

Fahad Badar, Executive General Manager and Chief Wholesale and International Banking Officer of Commercial Bank, said: "Our goal has always been centred around enhancing the banking experience by supporting innovative solutions that align with our customers' financial aspirations. By supporting Qatar Central Bank's 'Fawran' initiative, we are committed to ensuring that our customers have access to services that are not only efficient but also seamlessly integrated with their financial journey."

"As pioneers in the financial landscape, Commercial Bank is dedicated to supporting seamless and tech-driven" banking solutions. Our agility and adaptive mindset have empowered us to set new benchmarks in the industry that not only meet today's needs but also anticipate tomorrow's opportunities."

Global conditions are still favourable for gold: QNB

Global conditions are still favourable for gold, despite the rapid global disinflation and the significant accumulated gains from the precious metal in recent years, according to QNB.

Gold prices are set to be further supported by easing monetary policy by major central banks, a depreciating USD and geopolitical fractures, QNB said in an economic commentary.

"Gold's role in a portfolio has always been a topic of significant controversy.

On the one hand, enthusiasts point to the importance of the precious metal as a key diversifier that also serves as a safe-haven against inflation, international conflicts and civil strife," QNB noted.

On the other hand, detractors believe that gold is a "barbarous relic of the past," a non-income-generating commodity with limited utility and little tangible value, QNB said.

"In recent years, there is no doubt that gold has been a significant enhancer to global diversified portfolios. In fact, gold reached $2,615 per ounce, making sequential all-time highs for months," QNB said.

Since the pandemic, gold has "outperformed" most other major asset benchmarks, including global equities, government bonds, and commodities.

Importantly, gold has recently demonstrated its enduring value as a safeguard against inflation. In the aftermath of the Covid-19 pandemic, monetary authorities in advanced economies faced significant challenges due to a surge in inflation.

This created concerns about the rapid pace of decline in the "real value of money", as more units of currency would be needed to buy the same basket of goods and services.

Not surprisingly, during this period of higher inflation, gold prices soared against most main currencies, more than offsetting the effect of consumer price increases.

This offered a compelling affirmation of the long-held belief that gold is an effective hedge against inflationary pressures.

However, as disinflation gains further ground on the back of normalising supply chains, can gold continue to perform well over the medium-term? Is the shiny yellow metal set for a correction or a period of significant underperformance?

In QNB's view, despite a broadly normalised inflation outlook across most advanced economies, global macro conditions are "still favourable" for gold. Three main factors sustain its position.

First, the monetary policy cycle in the US and Europe is now a tailwind for gold prices. In recent years, cash or short-dated government securities offered high nominal yields, increasing the opportunity costs of holding gold.

While nominal yields are still much higher than they were pre-pandemic in most advanced economies, this dynamic is set to change significantly over the next 24 months.

The US Federal Reserve and the European Central Bank are expected to cut policy rates by 250 and 150 basis points (bps), respectively.

"This means that cash and short-dated government securities are going to be less attractive as investment options, favouring alternative investments such as gold," QNB noted in the commentary.

Second, foreign exchange (FX) movements are also likely to play their part in supporting gold prices. Historically, gold prices are negatively correlated with the USD, with gold prices going up when the USD is down and vice versa.

An assessment of the US dollar suggests that the currency is overvalued by around 9%, requiring a significant adjustment. A cheaper US dollar increases the purchasing power of the rest of the world for US dollar-priced commodities, such as the yellow metal, boosting overall demand and supporting prices.

Third, the current global economic environment is still beset with geopolitical uncertainties, such as the Russo-Ukrainian War, ongoing conflicts in the Middle East, and increasing US-China tensions in the Pacific.

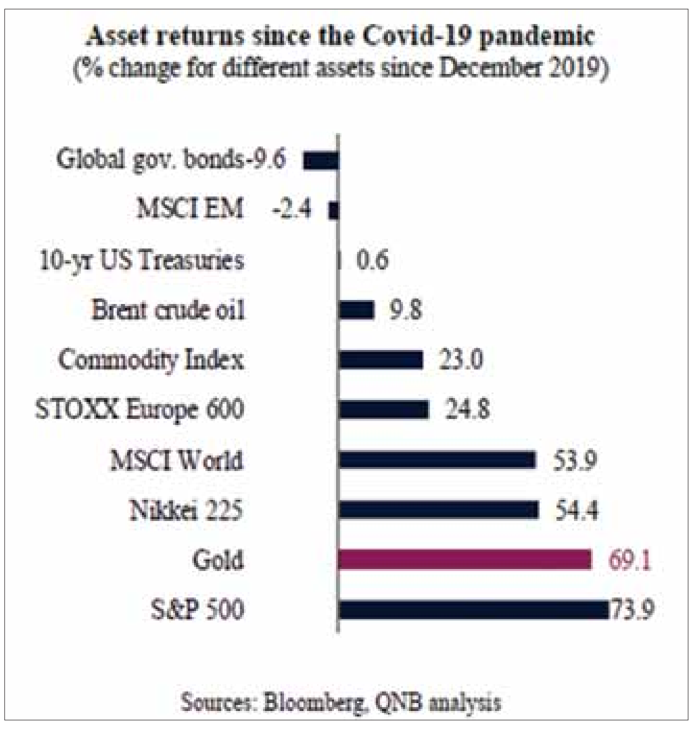
"These factors can contribute to a heightened risk premium on traditional assets, steering investors to hedge with alternative safe haven instruments.

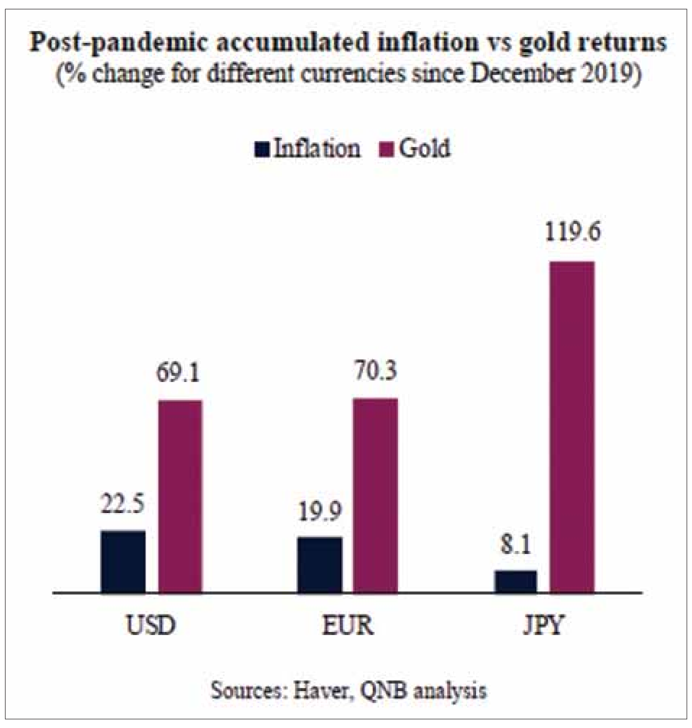
"Gold's appeal has been further bolstered by secular or long-term trends, including the intensifying economic rivalry between West and East, a decline in international cooperation, escalating trade disputes, increasing political polarisation, and the "weaponisation" of economic relations via sanctions," QNB said.

In an era marked by more geopolitical instability, gold's status as a tangible, jurisdictionally neutral asset that can serve as collateral in various markets becomes increasingly significant.

Reflecting this movement, central banks globally have been accumulating gold at a rate unseen in generations.

This supports a steady long-term institutional demand for gold, QNB said.





Qatar Steel to host 17th Arab Steel Summit and expo from October 14

Qatar Steel has announced that under the esteemed patronage of HE the Minister of State for Energy Affairs, Saad bin Sherida al-Kaabi, the company will be hosting the two-day 17th Arab Steel Summit and International Iron and Steel Exhibition at the Sheraton Doha from October 14.

The event, organised by the Arab Iron and Steel Union (AISU) under the theme, 'The Future of the Iron and Steel Industry in the Arab World', will bring together over 500 participants and 40 exhibitors from leading players and experts in the industry.

The summit will delve into the latest trends and innovations shaping the steel industry in the Arab World.

Key discussions will include economic challenges and opportunities facing the region's steel sector, adoption of new technologies to enhance efficiency and sustainability and potential for cross-border partnerships to foster growth and resilience

The exhibition will showcase the latest advancements in steel technology and innovation, providing attendees with valuable networking opportunities and the chance to explore new partnerships and investments.

A joint statement by Qatar Steel and Arab Iron and Steel Union said, "The steel industry plays a pivotal role in the economic development of the Arab region. Its importance extends beyond providing a fundamental building material to driving industrialisation, creating jobs, and enhancing energy security.

A strong and competitive steel industry is essential for the region's sustainable growth and prosperity."

WEEKLY ENERGY MARKET REVIEW

Oil prices settle down on Florida fuel demand worries

www.abhafoundation.org

Oil

Oil prices settled lower on Friday but rose for the second straight week as investors weighed factors such as possible supply disruptions in the Middle East and Hurricane Milton's impact on fuel demand in Florida. Brent crude oil futures dropped 36 cents, or 0.45%, at $79.04 a barrel. US West Texas Intermediate crude futures closed 29 cents, 0.38%, lower to $75.56 per barrel.

For the week however, both benchmarks rose by more than 1%. Crude benchmarks spiked so far this month after Iran launched more than 180 missiles against Israel on October 1, raising the prospect of retaliation against Iranian oil facilities. Israel has yet to respond. Weighing on prices, Hurricane Milton ploughed into the Atlantic Ocean on Thursday after cutting a destructive path across Florida, killing at least 10 people and leaving millions without power.

Gasoline shortages gripped the state earlier in the week as drivers stocked up ahead of the hurricane, with nearly a quarter of 7,912 gasoline stations in Florida out of fuel by Wednesday morning, but the decline could go on to dampen fuel consumption in the hurricane's aftermath. Florida is the third-largest gasoline consumer in the US, but there are no refineries in the state.


A flooded street after catastrophic hurricane in Florida. Oil prices settled lower on Friday but rose for the second straight week as investors weighed factors such as possible supply disruptions in the Middle East and Hurricane Milton's impact on fuel demand in Florida. *Picture supplied by the Abdullah Bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development.*

Gas

Asian spot liquefied natural gas (LNG) slightly slipped this week as demand remains tepid amid ample supplies. The average LNG price for November delivery into north-east Asia was at $13.00 per million British thermal units (mmBtu), industry sources estimated, down from $13.10 per mmBtu last week. In Japan, Kansai Electric Power will shut the No 3 reactor at its Mihama nuclear power station after discovering two small holes in a pipeline, and Shikoku Electric Power shut the Ikata No 3 reactor due to a malfunction in the equipment used to monitor fuel combustion. Nuclear reactor shutdowns could lead to an increase in LNG demand in Japan. In Europe, Dutch benchmark TTF prices edged lower on Friday amid steady supply, but the market continues to closely watch the situation in the Middle East as geopolitical risks remain. For the week, TTF front-month contract was down 2.3% at $12.99 per mmBtu. In the US, natural gas futures slid about 2% to a two-week low on Friday as power generators burned less gas after Hurricane Milton knocked out power to millions of homes and businesses in Florida. The price decline came despite a decline in output this month and forecasts for the amount of gas flowing to LNG export plants to increase once Cove Point in Maryland returns to service.

This article was supplied by the Abdullah Bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development.