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ECB cuts rates once more as eurozone economy sags

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BUSINESS

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Turkiye's central bank holds rate at 50%, warns on inflation

QSE to publish daily reports on shares buyback

By Santhosh V Perumal
Business Reporter

The Qatar Stock Exchange (QSE) will publish a daily report on shares bought back by listed companies.

The report – updated daily after trading sessions starting October 17 – will be available in the disclosures section under Shares Buy Back Report on the home page of QSE website.

The move comes after the Qatar Financial Markets Authority's (QFMA) decision No (3) of 2024 regarding regulations for share buybacks.

The QFMA had in July this year issued 18-point new controls for a company's buyback of its own shares with the intention of selling.

These new controls – which stipulate that the company shall be committed to funding buyback transactions from the balance of its voluntary reserves and realised profits and shall be prohibited from funding the buybacks in any other manner – fall within the framework of the QFMAs endeavours to develop the Qatari capital market and bolster investor confidence.

These new controls represent a major step towards enhancing investor protection and ensuring market stability, which, in turn, will enhance corporate governance as well as the efficiency of the Qatari capital market.

The new controls stipulated that the QFMA and the market shall be notified of the board's resolution to buyback a percentage of the company's shares immediately upon its issuance.

The QFMA and the market shall be notified of the board of directors' resolution to buyback a maximum of 10% of the fully-paid issued shares or to purchase the shares in excess of the ownership limit stipulated in the company's Articles of Association within two days as of the date of the issuance of the board of directors' resolution approving the buyback transaction, whilst attaching the documents required by the QFMA to finalise the transaction thereof.

The company should complete the execution of the buyback transaction within a period not exceeding six months as of the date of the QFMA's approval.

In case the transaction is not completed, the company shall be committed to justify the same to QFMA during the first business day following the end of prescribed period.

The company shall sell the repurchased shares after the lapse of the prohibition period and no later than 24 months as of the date of the last buyback. If the selling transaction is not executed within the period, the matter has to be reported to the QFMA for taking appropriate measures.

The report – updated daily after the trading sessions starting October 17 – will be available in the disclosures section under Shares Buy Back Report on the home page of QSE website

Qatar Chamber chairman Sheikh Khalifa bin Jassim al-Thani and Qatar Chamber board member Mohamed bin Ahmed al-Obaidli during the forum.

Qatar Chamber participates in '15th Turkish-Arab Economic Forum'

Qatar Chamber chairman Sheikh Khalifa bin Jassim al-Thani has led a delegation to the '15th Turkish-Arab Economic Forum' (TAF 2024), held in Istanbul under the theme 'Turkiye and the Arab World: A Global Corridor for Investment, Trade, and Technology.'

The delegation also included Qatar Chamber board member Mohamed bin Ahmed al-Obaidli. The forum was attended by ministers and senior government leaders from the public and private sectors, Arab and Turkish businessmen and investors, and leaders of Arab chambers and their unions.

The forum was held under the patronage of the Turkish Ministry of Treasury and Finance, with the support of the Turkish Ministry of Foreign Affairs, the Investment Office of the Presidency of the Republic of Turkiye, and in collaboration with the League of Arab States, the Gulf Co-operation Council (GCC), the Economy and Business Group, the Union of Chambers and Commodity Exchanges of Turkiye (TOBB), and the Union of Arab Chambers.

It aimed to strengthen sustainable economic relations between Turkiye and Arab countries by enhancing Arab economic integration, improving co-operation mechanisms, encouraging the exchange of expertise, and opening new horizons for trade and investment growth between Turkiye and the Arab world.

Al-Obaidli also participated in a panel titled 'Building a Global Trade Corridor', where he discussed Qatar's regional trade and investment strategies and the role of Qatar Chamber in developing regional trade corridors.

He stated that Qatar has succeeded in maintaining strong and rapidly growing trade and economic relations both regionally and internationally. Citing sound economic strategies adopted by the state, he said Qatar's trade has experienced significant growth.

He said, "Over the past 15 years, the country has focused on developing world-class infrastructure in preparation for hosting the 2022 FIFA World Cup and in alignment with Qatar National Vision 2030. During this period, Qatar has created an attractive business and investment environment, enacted several key economic laws and regulations, and established distinguished relations with countries worldwide."

Al-Obaidli also stated that the chamber has contributed to promoting Qatar's economy, investment climate, and opportunities, affirming its support for various initiatives aimed at strengthening trade relations with neighbouring and foreign countries.

"The chamber's strategies have focused on fostering co-operation between local businesses and their international counterparts by regularly hosting foreign trade missions, organising business delegations from Qatar to other countries, and actively participating in international conferences and trade fairs," he said.

Natural gas can provide energy to produce 25% of world's ammonia at 60% lower emissions than coal: Expert

Natural gas can provide energy to produce one-quarter of world's ammonia at 60% lower emissions than coal, an expert told GPCA's recent Agri-Nutrients Conference.

"Alternatively, we can develop economical ways to capture the carbon dioxide (CO2) emissions from fossil-fuel-based ammonia production. And if we want to get rid of the emissions entirely, then we must steer innovation so that it comes up with economical ways to produce ammonia with renewable electricity," Fahad al-Battar, CEO, SABIC Agri-Nutrients, told delegates at the 14th Gulf Petrochemicals and Chemicals Association (GPCA) Agri-Nutrients Conference in Riyadh.

In his opening address, Abdulrahman al-Suwaidi, CEO, Qatar's Qafco and Chairman, Agri-Nutrients Committee, GPCA, highlighted the common goal that unites the industry: "To advance the sustainability of our agri-nutrient practices and to foster innovation".

"Our mission is not only to enhance agricultural productivity but also to ensure that our practices are environmentally responsible and economically viable," al-Suwaidi said, adding that sustainability in agriculture inevitably requires a dual focus on efficiency and environmental stewardship.

The agri-nutrients industry must balance the dual objective of meeting growing demand for food globally, while contributing to sustainability, lowering emissions and advancing its net-zero objectives by 2050, many speakers at the conference noted.

Qatar seen to raise tourism sector share in country's GDP to 12% by 2030

- **To support surge in tourism, country has "strong lineup" of hotel projects under construction**

By Pratap John
Business Editor

Qatar aims to attract over 6mn visitors by 2030 and raise the tourism industry's contribution to national GDP from 7.0% to 12.0%, Alpen Capital has said in a recent report.

To support this surge in tourism, the country has a "strong lineup" of hotel projects under construction. By the end of 2023, Qatar had over 36 projects underway, with 8,922 rooms under construction, Alpen Capital said in its report on 'GCC Hospitality Industry'.

According to the researcher, Qatar recorded 2.6mn international tourist arrivals in 2022, compared to 0.6mn in 2021. Qatar was the only country in the GCC to surpass pre-pandemic levels, achieving 119.8% of the 2019 arrival figures.

This significant increase in arrivals was due to the major events that took place in 2022, such as the Lusail Super Cup, the Darb Lusail Festival, the Qatar Motor Cycle Grand Prix, and the FIFA World Cup 2022.

Following the World Cup, Qatar Tourism launched a series of global marketing campaigns to promote tourism in the country. The 'Feel More in Qatar' campaign was launched in December 2022 with the aim of showcasing the country's position as a tourist destination.

As a result, Qatar witnessed a 58.4% growth in international tourist arrivals in 2023, reaching a five-year high of 4.1mn arrivals.

In terms of occupancy rates, Alpen Capital noted that in Qatar, it remained stable at 57% (from 2020 – 2022). Although international tourist arrivals in the country surged over threefold to reach 2.6mn in 2022, the demand was met through the increased supply of hotels in anticipation of the FIFA World Cup 2022.

Even after the tournament, Qatar continued to consistently attract tourists. However, it is expected to take some time for the surplus hotel supply to be absorbed by the rising demand for accommodation, the researcher noted.

The increase in occupancy rates over the last three years and rising average daily rate (ADR) levels resulted in increased RevPAR across all the GCC nations.

The average RevPAR in the GCC rose from \$45.5 in 2020 to \$97.2 in 2022, majorly driven by Qatar, Saudi Arabia, and the UAE.

Qatar witnessed the most significant RevPAR increase, from \$56.2 in 2020 to \$116.5 in 2022. This growth was due to a substantial increase in the country's ADR during the FIFA World Cup 2022, which overshadowed the minor decline in the occupancy rate.

The report noted that the successful execution of EXPO 2020 in Dubai and the FIFA World Cup 2022 in Qatar has already solidified GCC's presence on the global tourism map. Looking ahead, GCC countries will continue to host major events that attract international visitors, it said.

Following the World Cup, Qatar Tourism launched a series of global marketing campaigns to promote tourism in the country. The 'Feel More in Qatar' campaign was launched in December 2022 with the aim of showcasing the country's position as a tourist destination. **PICTURE:** AFP/FIFA

BUSINESS

Aramco cancels Saudi chemical project as it focuses on Asia

Bloomberg
Riyadh

Saudi Aramco has cancelled plans to build a refinery and chemicals project in the kingdom and is reviewing three others as it evaluates spending plans with a focus on expanding in Asia.

Aramco and its unit Sabic will not go ahead with the planned 400,000 barrel-a-day facility at Ras Al Khair on Saudi Arabia's Gulf coast, and a proposal to move the project to Jubail has also been shelved, according to people with knowledge of the situation.

The cancellation is a sign Aramco is recalibrating its spending on chemicals to Asia, where it's pursuing a series of deals in China that would also guarantee long-term demand for Saudi crude. Aramco sees the use of goods such as plastics outlasting the growth in consumption for gasoline and diesel amid the energy transition, with much of the expansion in chemicals likely coming from Asia.

Uncertainty over the strength of demand in Saudi Arabia — where Aramco is already expanding other chemical sites — is also a factor forcing the company to reconsider spending on mulitbillion-dollar infrastructure projects, according to the people, who asked not the identified because the information isn't public.

Three planned chemical facilities in Jubail and at Yanbu on the Red Sea are being checked to determine whether the company will go ahead with the investments, the people with knowledge of the plan said.

Aramco's media office didn't answer e-mailed questions seeking comment.

The review is also the latest indication of Saudi Arabia grappling with building vast industrial sites. The kingdom wants to develop manufacturing and technology industries, which could use the chemicals produced locally. But it is reviewing some of the wider investment plans as it tries to cope with the scale of the economic makeover push.

Aramco's chemical unit Sabic, in which it owns 70% stake, first announced plans for the Ras Al Khair refining and chemical facility in November 2022 and said a year later that the two companies were still working on the project.

Aramco is going ahead with the separate expansion of a refinery that it operates with TotalEnergies SE in Jubail.

The Saudi company is in talks to buy a 10% stake in China's Hengli Petrochemical Co Ltd and is seeking similar deals with two other Chinese companies. It closed a separate $3.4bn deal for a stake in Rongsheng Petrochemical Co last year.

Chief Executive Officer Amin Nasser has also mentioned South Korea and India as potential investment destinations.

Oil-rich Middle Eastern states have long produced some petrochemicals that go into making products like plastics and packaging as a way to make use of their cheap energy supplies. They've been selling energy to chemical makers in Japan, Korea and China for years, but are now trying to get a bigger share of producing those chemicals on their own in the big Asian markets.

The cancellation is a sign Aramco is recalibrating its spending on chemicals to Asia, where it's pursuing a series of deals in China that would also guarantee long-term demand for Saudi crude. Aramco sees the use of goods such as plastics outlasting the growth in consumption for gasoline and diesel amid the energy transition, with much of the expansion in chemicals likely coming from Asia

TotalEnergies set to back Mozambique LNG terminal to boost gas imports

Bloomberg
London

TotalEnergies SE aims to next year approve an import terminal for liquefied natural gas in Mozambique that may help users in neighbouring South Africa avoid a potential supply crisis.

Gas shipments may flow from the Matola project by the end of 2027, according to Gigajoule, a partner helping develop the facility. That's the same year that fuel piped from Sasol Ltd's fields in Mozambique is scheduled to terminate for companies in South Africa that include units of steelmaker ArcelorMittal, stoking fears of a so-called gas cliff in the continent's most industrialised nation.

The Matola project next to Mozambique's capital of Maputo will have the capacity to bring in 2.5mn tonnes of LNG annually, TotalEnergies said on Monday in a response to e-mailed questions. It may be the first major supplier of the super-chilled fuel to South Africa and is separate from an export plan that the French major has in Mozambique's northeastern Cabo Delgado province.

Members of the Industrial Gas Users Association of Southern Africa, a lobby group, are poised to sign a term sheet by December for offtake from Matola as part of an effort to realise the project. The group is racing against time that's needed to build the new infrastructure, IGUA Executive Officer Jaco Human said.

"The risk of not having gas is catastrophic," he said.

The search for alternative supplies of gas by IGUA comes as South Africa plans to use more of the fuel and move away from a dependence on coal. While there are government steps toward building such infrastructure, existing customers that use gas won't be able to afford delays.

A final investment decision should take place by the second quarter of next year, according to Gigajoule Chief Executive Officer Jurie Swart. The import terminal will connect to an existing pipeline that transports Sasol's gas from Mozambique to South Africa. Gigajoule in 2019 estimated the project cost at $3.2bn, including a gas power plant. The companies didn't provide an update.

TotalEnergies said it's engaging "all the relevant stakeholders," including Sasol and South African state-owned power utility Eskom Holdings SOC Ltd. The companies didn't respond to e-mailed requests for comment.

Interested gas buyers held discussions on October 4 around contract status and commercial pricing, as well as talks with Sasol and financial institutions, according to Human. While commitments for about triple of what IGUA has collected would drive better efficiencies, the buyers are running out of time to avoid shortages, he said. "There's no other option."

Turkiye's central bank holds rate at 50%, warns on inflation

- **Inflation, pricing 'continue posing risks to disinflation'**
- **Hawkish message could reinforce January rate-cut view**

Reuters
Istanbul

Turkiye's central bank held interest rates at 50% on Thursday as expected but warned that a bump in recent inflation data lifted uncertainty, in a hawkish signal that could reinforce views that policy easing won't begin until next year.

"In September, the underlying trend of inflation posted a slight increase," the bank's policy committee said.

The "uncertainty regarding the pace of improvement in inflation has increased in light of incoming data," it said, adding: "inflation expectations and pricing behaviour continue to pose risks to the disinflation process."

Some analysts said the cautious message suggested the bank will wait until around January to begin cutting rates, after a more than year-long effort to slay years of soaring inflation.

After monthly inflation was higher than expected at nearly 3% in September, a Reuters poll showed the bank was expected to wait until December or January to begin its anticipated easing cycle, later than earlier polls.

"It seems clear that the (central bank) — like us — doesn't think the conditions are in place for a monetary easing cycle to start very soon," wrote Nicholas Farr, economist at Capital Economics.

Ipek Ozkardeskaya, senior analyst at Swissquote Bank, said the "reasonably hawkish and cautious tone" helps the bank's credibility in its inflation fight. "The latest decision increased the chances of an early 2025 cut," she said.

The last time the central bank raised its main policy rate was in March, when it hiked by 500 basis points to round off an aggressive tightening cycle that started in June last year.

Since then, it has kept the one-week repo rate on hold. In a change of messaging last month, it began setting the stage for a rate cut by dropping a reference to potential further tightening.

But the central bank gave no further signal it was preparing for cuts on Thursday. "(T)he disinflation process will gain strength," the bank said, adding "it remains highly attentive to inflation risks".

Annual inflation has dropped to 49.4% — below the policy rate for the first time in this cycle — from a peak of 75% in May.

The central bank is closely watching the monthly rate for signals of when to begin easing, though it has only dipped below 2% once this year, in June. It is also watching for high household inflation expectations to ease toward its targets.

Turkiye's central bank headquarters in Ankara (file). The bank held interest rates at 50% on Thursday as expected but warned that a bump in recent inflation data lifted uncertainty, in a hawkish signal that could reinforce views that policy easing won't begin until next year.

Saudi, Egyptian private sector deals amount to $15bn injection into Egypt

Investment deals between the Saudi and Egyptian private sectors will amount to a $15bn injection into Egypt's economy, the head of the Saudi-Egyptian Business Council, Bandar al-Ameri, told Al-Arabiya TV on Wednesday, reports Reuters.

The investment deals come on the heels of an agreement signed in Cairo on Tuesday by Saudi Crown Prince Mohammed bin Salman and Egypt's President Abdel Fattah al-Sisi to encourage and protect mutual investments between the two countries.

The deals include investments in renewable energy, industry, real estate development, tourism, and technology, al-Ameri added.

"These agreements are new and were awaiting the signing of the investment protection agreement between the two countries," Al-Arabiya TV said, citing al-Ameri.

The crown prince agreed with al-Sisi during his visit to Cairo on Tuesday to deepen trade and investment cooperation as Egypt seeks large investments to tackle a long-running economic crisis.

Global LNG tanker glut is helping to lower transport costs

Bloomberg
London

Ships that carry liquefied natural gas are being built faster than new supplies of the fuel can come to market, helping to lower transport costs and cushioning consumers from paying even more for energy this winter.

The cost of renting an LNG tanker on a short-term basis has fallen to the lowest for the time of year since at least 2018, data from shipbroker Fearnleys A/S show.

Shipping rates typically soar in the run-up to the heating season. Instead, they've been declining since August.

"Vessels are coming a little bit before the commodities do," said Thomas Thorkildsen, chief commercial officer at ship-owner Hoegh Evi. "When you order a vessel in Korea or China, they are usually delivered on time, but often the production comes a bit late, so there is a mismatch."

A shift in global trade patterns has also been a factor, with LNG tankers increasingly staying within either the Atlantic or Pacific regions, as they avoid Houthi attacks in the Red Sea. That means gas is being consumed closer to where it is produced, contributing to an excess of ships.

While the tanker glut reflects a temporary imbalance in the market, it's good news for consumers. In Europe, gas prices are near the highest levels this year — even before the winter heating season gets under way — due in part to geopolitical conflicts in Ukraine, Russia and the Middle East.

Europe and Asia compete for a limited amount of global LNG supplies, and both regions have been relying on the fuel as a bridge from dirtier fossil fuels to renewables.

To serve this demand, new vessels have been coming to market at an increasing rate. A total of 36 tankers recorded their first loadings so far this year, compared to 30 in 2023, according to ship-tracking data compiled by Bloomberg. The order book for newbuild tankers is also growing in anticipation of a further LNG supply boom by the end of the decade. Meanwhile, some new supply keeps getting pushed back. The start-up of the Golden Pass LNG export project in Texas has been delayed until at least the end of 2025.

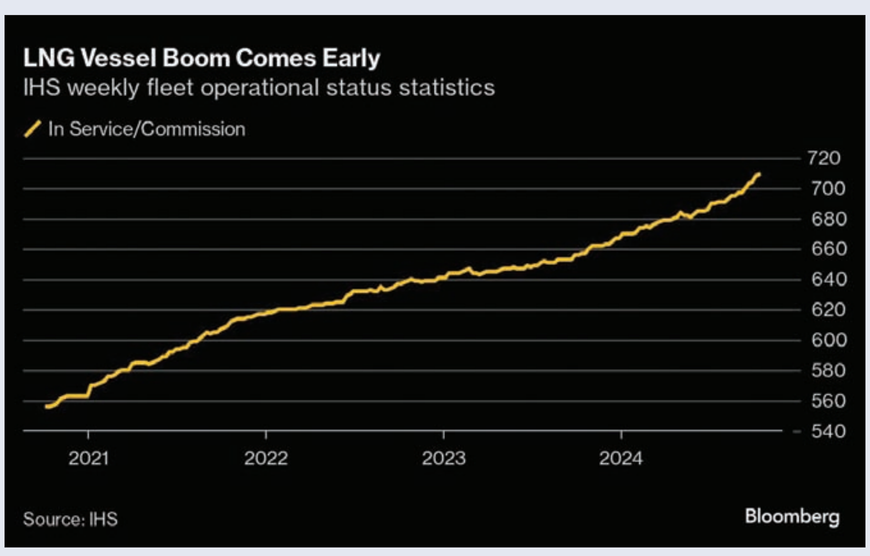
Cheniere Energy Inc's Corpus Christi expansion plans to start producing LNG this year but will extend its ramp-up until the end of 2026. Sempra's Costa Azul project in Mexico is now expected to begin commercial operations in 2026, a year later than initially targeted. Venture Global's Plaquemines LNG project in Louisiana is still in commissioning, even though it's due to start later this year.

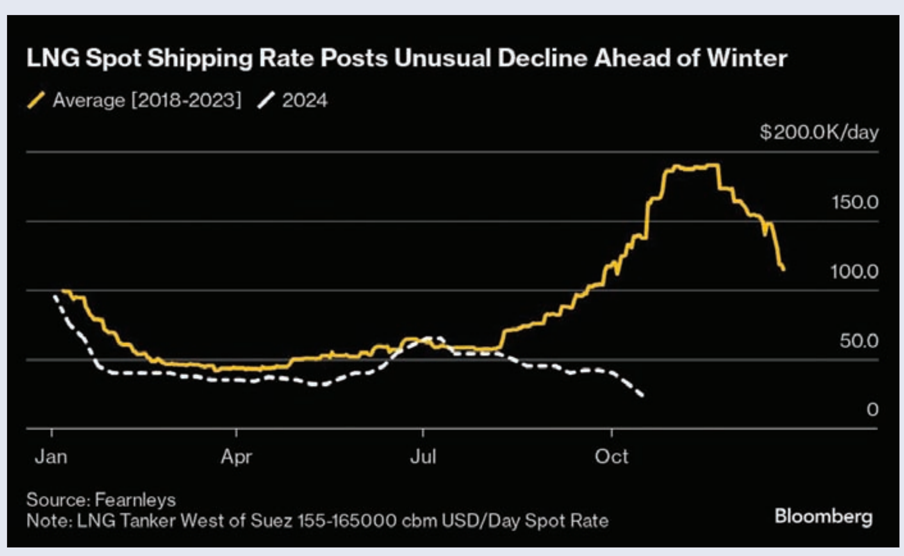
As a result, spot shipping rates for the fourth quarter in both the Atlantic and Pacific basins have dropped below $50,000 a day for the first time in five years, according to data from Spark Commodities, based on assessments from LNG shipbrokers. The firm's Atlantic freight rate is at $30,250 a day as of Thursday, the lowest yet for 2024.

That's driven by "increased vessel availability and lower ton-miles as vessels stay within basin," Spark Chief Executive Officer Tim Mendelssohn said, referring to a benchmark measurement for freight traffic.

Higher gas prices in Europe are also prompting more US LNG to be delivered across the Atlantic. Longer term, as export projects catch up, the surplus is likely to evaporate, giving way to a tighter shipping market.

"The freight market should start to rebalance from 2026 as the expansion of global LNG export capacity accelerates," analysts at Energy Aspects Ltd said by e-mail. But until then "the LNG freight market will remain relatively loose" as additional tankers outstrip the rate of new supply.





Hyundai Motor India's record $3.3bn IPO oversubscribed

Reuters
Mumbai

The $3.3bn IPO of Hyundai Motor India, the country's largest yet, was fully subscribed on its final day on Thursday as institutional investors bid aggressively, though pricing concerns deterred retail investors.

As companies rush to go public after a sharp run-up in the Indian equities market this year, Hyundai Motor's first listing outside South Korea ranks as India's biggest ever and the world's second-largest IPO in 2024.

Hyundai India was set to price its shares at 1,960 rupees to secure a market valuation of $19bn, said two sources with direct knowledge of the matter, speaking on condition of anonymity.

That values the company at about 40% of its Korean parent.

"This flotation was too big to fail," said Prashanth Tapse, senior vice-president of research at Mehta Equities, adding that recent IPO successes and Hyundai's international image also helped.

Investors bid for more than twice the shares on offer by 3.21pm, with qualified institutional buyers, including foreign investors, domestic banks and mutual funds, bidding for nearly seven times the 28.3mn shares reserved for them.

With no provision to allot more shares than those on offer, the oversubscription is a reflection of demand.

The exercise began on Tuesday but was led until early Thursday by employees, who bid for about 1.7 times the 778,400 shares earmarked for them.

Over 260 companies in India have raised more than $9bn through IPOs so far this year, according to LSEG data, higher than the $7.42bn raised in all of last year. That has propelled the country's share in Asia equity capital market deals to a record high.

The logo of Hyundai Motor India is seen on a parked car in the company's stockyard, in the outskirts of Ahmedabad, India. As companies rush to go public after a sharp run-up in the Indian equities market this year, Hyundai Motor's first listing outside South Korea ranks as India's biggest ever and the world's second-largest IPO in 2024.

Tapse was among the analysts who have pointed to retail investors' concerns about valuations, the lack of new shares in the issue, and recent industry woes, as sales slow and inventory grows.

Car sales have slowed in India after two years of record highs, with customers delaying purchases on worries about recalcitrant inflation.

The issue prices India's No 2 carmaker at about 26 times earnings, close to 29 times for market leader Maruti Suzuki.

The slim difference in P/E ratios, despite the big gap in Indian car market share between Hyundai, at 15%, and Maruti, with 40%, spurred concern about the valuation.

"Hyundai's issue is not priced attractively for retail investors and high net worth individuals," said Arun Kejriwal, founder of Kejriwal Research.

They were unlikely to see any listing-day gains or major earnings growth for the next five quarters until the company's new capacity goes online, he added.

Retail investors, for whom the bulk of shares were earmarked, bid for about 48%, while non-institutional investor subscriptions stood at 59%.

China to almost double support for unfinished housing projects

AFP
Beijing

China said Thursday it would boost credit available for unfinished housing projects to more than $500bn as it unveiled another round of measures to shore up the sector and try to reignite the economy.

The real-estate sector has long accounted for around a quarter of gross domestic product and experienced dazzling growth for two decades but a years-long housing slump has battered growth as authorities eye a target of around 5% for 2024.

At a briefing, Housing Minister Ni Hong offered fresh help, saying Beijing will "increase the credit scale of white-list projects to 4tn " yuan ($562bn) by the end of the year, up from more than 2tn.

The "white list" scheme, announced earlier this year, pushes local authorities to recommend housing projects for financial support and work with banks to ensure their completion.

"The urban real-estate financing co-ordination mechanism should strive to include all eligible real-estate projects in the white-list," Ni said.

"An additional one million worn-out homes... will be renovated," he added. "There are many safety hazards and poor living environments in urban villages, and people are eager to renovate."

The move, he said, would "be conducive to absorbing the existing stock of commercial housing".

China's leadership last month warned the economy was being plagued by "new problems" as officials unveiled a raft of stimulus in one of the biggest drives to boost growth for years.

Among the measures were a string of interest rate cuts, the loosening of restrictions on home-buying and moves to free up cash for banks to lend more. On Thursday, Beijing said it estimated that "existing mortgage rates will fall by an average of about 0.5 percentage points" under those cuts.

That, central bank deputy governor Tao Ling said, would "save 150bn yuan in interest expenditure overall, benefitting 50mn families and 150mn residents".

A blistering market rally fuelled by hopes of major stimulus has faltered as authorities refrained from providing a specific figure or fleshing out any of the plans.

Bloomberg QuickTake Q&A

Why Wall Street is warming to tokenisation of assets

By Olga Kharif and Elijah Nicholson-Messmer

Cryptocurrencies were invented in the heat of the 2008-2009 financial crisis to provide an alternative to banks. Many banks and financial institutions on Wall Street that initially scoffed at the dreams of devotees known as "cypherpunks" some 15 years ago are now not only in the cryptocurrency business, they're also beginning to adopt the underlying blockchain technology.

While this may strike crypto enthusiasts as undermining a fundamental reason for the technology, banks are looking at the bottom line and see money to be made. They are drawn to blockchain technology for its ability to "tokenise" traditional assets such as stocks and Treasury bills, which makes trading them faster and cheaper. Critics say Wall Street institutions aren't just adopting, but co-opting the technology to generate fees — similar to how financial firms turned low-cost, low-touch exchange traded funds into a healthy business.

How are traditional assets turned into tokens?

"Real-world asset tokenisation" is the process of representing assets like bonds, stocks, art or even ownership shares in office buildings as digital tokens on a blockchain. Anyone who owns the token owns the asset. Ownership can be moved easily and almost instantly by simply moving it from one crypto wallet to another. It allows assets to be broken down into smaller parts, potentially widening the pool of ownership and easing the ability to trade.

Why do that?

The tokenisation process can eliminate settlement delays from having to clear transactions that often use a slew of intermediaries, and record them across multiple systems. By placing contractual information, such as the terms of ownership and conditions of transfer, on a blockchain, assets can be bought and sold in pieces and traded outside of market hours. Tokens can be programmed to automatically behave in certain ways: For example, to be released to a seller once goods are delivered to a buyer. Tokenised assets could attract those who might not have a brokerage account but already trade crypto.

What other kinds of assets could be tokenised?

Stocks, art, houses, golf courses, exclusive memberships — you name it. All assets under the sun could theoretically be tokenised and many proponents believe they will be. Even pricey sneakers are being represented on blockchains to prove their authenticity when the physical pair is traded. McKinsey estimates the total tokenised market — excluding stablecoins, which are tokens pegged to fiat — could reach around $2tn by 2030, driven by usage in mutual funds, bonds and exchange-traded notes, loans and securitisations, and alternative funds. That's roughly equal to the size of the entire crypto market today.

Are any financial companies on Wall Street doing this?

Yes, and here are some of the big names in the business:

- BlackRock Inc, the world's biggest asset manager, in March unveiled its first tokenised mutual fund, the BlackRock USD Institutional Digital Liquidity Fund, which now has a market value of more than $500mn. It holds assets in cash, US Treasury bills and repurchase agreements — a kind of short-term loan. It keeps records on the public Ethereum blockchain.
- Brokers FalconX and Hidden Road have started accepting BlackRock's BUIDL token as collateral.
- BlackRock used JPMorgan's Tokenized Collateral Network in October 2023 to turn shares in one of its money market funds into digital tokens, which were then transferred to Barclays Plc as collateral for an over-the-counter derivatives trade between the two institutions. Banks say this setup allows customers to use assets as collateral and even tap assets that may have previously been unusable.
- Franklin Templeton already manages a tokenised money-market fund with about $435mn in assets.
- JPMorgan Chase & Co, Goldman Sachs Group Inc and other banks are experimenting with, or already offering, private blockchain services.
- Bank of New York Mellon Corp, State Street Corp and other financial institutions are already providing or working on new tokenisation-related services.

How did this start?

The inventor or inventors of Bitcoin, who went by the pseudonym Satoshi Nakamoto, envisioned a financial system that didn't depend on "trusted third parties" they said couldn't be trusted in the first place. Instead, they would use cryptography and a decentralised ledger called a blockchain to record transactions and provide irrefutable proof of ownership. Crypto evangelists said this would democratise finance and lower the cost of holding and using money. Who exactly Nakamoto is — either a single person or a group — has been subject of speculation since Bitcoin's launch in January 2009.

What do financial regulators have to say?

US banking regulators are yet to greenlight innovations such as deposit tokens and have worried that instant settlement could spur bank runs. That's because customers would be able to use the programmable tokens to automatically withdraw funds from banks when bad news hits. But regulators in other parts of the world, such as Singapore, are working with financial institutions on tokenisation pilots for, among other things, cross-border payments. By the end of the year in the US, a subcommittee in the Commodity Futures Trading Commission — whose members include Citadel, BlackRock and even Bloomberg LP — has made recommendations to a full committee on how registered firms can use distributed ledger technology for holding and transferring non-cash collateral — an important tokenisation-use case. These recommendations are likely to provide a legal and regulatory framework for how market participants can apply existing policies and procedures to support the use of blockchain for non-cash collateral in a manner consistent with the margin requirements of the agency, other US regulators and derivatives clearing organisations.

What are some concerns?

Tokenisation could take some companies, such as broker-dealers, out of the loop for facilitating financial transactions. The exact setup of a tokenisation project matters as well: With blockchain, there's only one record for each asset, and the holder of that asset owns it. So, if a token is transferred to the wrong address or stolen, it may be lost forever if a public blockchain is used. That's why many banks are developing or have developed their own private blockchains. BNY is hoping to soon get regulatory approval to launch a digital transfer agent service to do record-keeping for digital assets. Private blockchains would need to learn to talk to one another if the banks want to be able to handle any substantial interbank transactions. That's why many financial companies, including banks, are also working on multi-company blockchains. Given how much money and talent banks are pouring into the functionality, that's probably a matter of when, not if.

QSE treads flat path despite foreign funds' selloff

By Santhosh V Perumal
Business Reporter

The Qatar Stock Exchange yesterday treaded a flat path amid selling pressure at the telecom, insurance, real estate and banking counters.

The foreign funds were seen increasingly into net selling as the 20-stock Qatar Index settled mere 0.02% lower at 10,733.4 points, but recovering from an intraday low of 10,634 points.

The domestic institutions' substantially weakened net buying had its influence on the main market, whose year-to-date losses widened to 0.9%.

The Gulf retail investors were increasingly net profit takers in the main bourse, whose capitalisation melted QR0.84bn or 0.13% to QR630.44bn on the back of microcap segments.

The local individuals continued to be net sellers but with lesser intensity in the main market, which saw .06mn exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank) valued at QR0.38mn trade across 32 deals.

The Islamic index was seen gaining vis-à-vis declines in the other indices in the main bourse, whose trade turnover and volumes were on the increase.

The foreign individuals continued to be bearish but with lesser vigour in the main market, which saw no trading of treasury bills.

The foreign funds were seen increasingly into net selling as the 20-stock Qatar Index settled 0.02% lower at 10,733.4 points, but recovering from an intraday low of 10,634 points

The Arab funds were seen net buyers in the main bourse, which saw no trading of sovereign bonds.

The Total Return Index was down 0.02% and the All Share Index by 0.05%, while the All Islamic Index was up 0.02% in the main market.

The telecom sector index tanked 1.09%, insurance (0.56%), realty (0.54%) and banks and financial services (0.1%); while transport gained 0.36%, consumer goods and services (0.31%) and industrials (0.2%).

About 65% of the trade constituents in the main bourse were in the red with major losers being Qatar General Insurance and Reinsurance, Qatar German Medical Devices, Commercial Bank, Ooredoo, Mazaya Qatar and Ezdan.

In the venture market, Al Mahhar Holding saw its shares depreciate in value.

Nevertheless, Milaha, Al Faleh Educational Holding, Doha Insurance, Baladna, Qatar Industrial Manufacturing and Vodafone Qatar were among the gainers in the main market.

In the junior bourse, Techno Q saw its shares appreciate in value.

The foreign institutions' net profit booking increased substantially to QR83.24mn compared to QR40.93mn on October 16.

The Gulf individual investors' net selling expanded notably to QR2.58mn against QR0.86mn the previous day.

The domestic institutions' net buying decreased considerably to QR148.36mn compared to QR204.15mn on Wednesday.

However, the Arab institutions turned net buyers to the tune of QR0.09mn against net sellers of QR0.39mn on October 16.

The Qatari individuals' net selling weakened significantly to QR46.17mn compared to QR100.55mn the previous day.

The Gulf institutions' net profit booking shrank drastically to QR9.67mn against QR27.58mn on Wednesday.

The foreign individual investors' net selling eased markedly to QR4.68mn compared to QR22.83mn on October 16.

The Arab individual investors' net profit booking fell noticeably to QR2.11mn against QR11.02mn the previous day.

Trade volumes in the main market rose 9% to 189.28mn shares, value by 13% to QR598.58mn and transactions by 25% to 16,309.

The venture market saw a 96% contraction in trade volumes to 0.04mn equities, 96% in value to QR0.11mn and 88% in deals to 10.

Saudi Arabia's crude oil exports in August hit one-year low

Reuters
Riyadh

Saudi Arabia's crude oil exports in August fell to their lowest level in a year, data from the Joint Organisations Data Initiative (JODI) showed on Thursday.

The country's oil exports stood at 5.671mn barrels per day (bpd) in August, their lowest level since August 2023. Saudi Arabia is the world's largest exporter of crude.

Saudi's crude exports in August fell by about 1.2% from July's exports of 5.741mn bpd.

At the same time, Saudi's production rose to 8.992mn bpd from 8.941mn bpd.

Saudi refineries' crude throughput rose by 0.324mn bpd to 2.721mn bpd, the data showed, while direct crude burning increased by 45,000 bpd to 814,000 bpd.

Riyadh and other members of Opec provide monthly export figures to JODI, which publishes them on its website.

On the demand side, Opec and the International Energy Agency this week cut their 2024 global oil demand growth forecasts, with China accounting for the bulk of the downgrades.

Supply curbs by Opec and its allies including Russia remain in place until December when some members are scheduled to start unwinding one layer of cuts.

Meanwhile, Saudi Arabia raised its November price for flagship Arab light crude to Asia to its highest since July.

ECB cuts interest rates once more as eurozone economy sags

Reuters
Frankfurt

The European Central Bank cut interest rates on Thursday for the third time this year, saying inflation in the eurozone was increasingly under control while the outlook for the bloc's economy was worsening.

The first back-to-back rate cut in 13 years marks a shift in focus for the eurozone's central bank from bringing down inflation to protecting economic growth, which has lagged far behind that of the US for two years straight.

"We believe the disinflationary process is well on track and all the information we received in the last five weeks were heading in the same direction — lower," ECB President Christine Lagarde told a press conference.

Those data are likely to have tilted the balance within the ECB in favour of a rate cut, with business activity and sentiment surveys as well as the inflation reading for September all coming in slightly lower than expected.

Asked about the prospect of higher tariffs on European goods if Donald Trump wins next month's US presidential election, Lagarde said any trade obstacles were a "downside" for Europe.

"Any restriction, any uncertainty, any obstacles to trade matter for an economy like the European economy, which is very open," she said, adding that the ECB was also "very attentive" to possible oil price moves linked to the Middle East conflict.

However, she added that the ECB did not expect recession at present and was still working on the assumption that the economy would stage a "soft landing", jargon for lower — but still positive — growth.

European Central Bank President Christine Lagarde addresses a press conference following the ECB meeting in Brdo Castle, some 30km from Slovenia's capital Ljubljana on Thursday. Asked about the prospect of higher tariffs on European goods if Donald Trump wins next month's US presidential election, Lagarde said any trade obstacles were a "downside" for Europe.

The quarter-point cut brings the rate that the ECB pays on banks' deposits down to 3.25%. Money markets are almost fully pricing in three further reductions through next March.

Lagarde did not provide any indication about future moves in its statement, instead repeating its mantra that decisions will be made "meeting by meeting" based on incoming data.

But her emphasis on lower-than-expected data and on inflation stabilising at the ECB's 2% target next year convinced observers that more cuts were in the pipeline.

"We believe that downside risks to growth in a context of easing inflationary pressure will lead to more rate cuts starting in December and continuing in 2025 until interest rates are back around a neutral level, that the ECB itself estimates around 2%," Gianluigi Mandruzzato, a senior economist at EFG Asset Management, said.

The euro and euro bond yields were little changed after the decision which had been well flagged by a number of ECB speakers including Lagarde herself.

The ECB can finally claim it has all but tamed the worst bout of inflation in at least a generation.

Prices grew by just 1.7% last month, falling below 2% target for the first time in three years. While inflation may edge above the ECB's target by the end of this year, it is expected to hover around that level for the foreseeable future.

The ECB noted pay hikes are still supporting "domestic inflation" — that is growth in the price of services and goods that don't rely much on imports — but this too was waning.

"Domestic inflation remains high, as wages are still rising at an elevated pace," it said. "At the same time, labour cost pressures are set to continue easing gradually, with profits partially buffering their impact on inflation."

Yet the economy has had to pay a high price for that.

High interest rates have sapped investment and economic growth, which has been weak for nearly two years. The most recent data, including about industrial output and bank lending, is pointing to more of the same in the coming months.

A resilient labour market is also now starting to show some cracks, with the vacancy rate — or the proportion of vacant jobs as a share of the total — falling from record highs.

This has fuelled calls inside the ECB and from politicians from Germany to Italy to ease policy before it is too late.

"The ECB has been overly cautious in the past and it is good news that Lagarde does not make the same mistake twice," said Markus Ferber, a German member of the European parliament for the centre-right European People's Party.

Yet some of the economic weakness is due to structural problems, such as the high energy costs and low competitiveness hobbling Europe's industrial powerhouse Germany.

Lagarde repeated the ECB's customary call on Europe's politicians to push ahead with "ambitious" reforms to make the region's economy more productive, competitive and resilient.

Egypt holds rates as price hikes and Middle East crisis spur caution

Bloomberg
Cairo

Egypt kept interest rates at a record high as it contends with an unexpected climb in inflation and fears of a wider conflict in the Middle East.

The central bank maintained its deposit rate at 27.25% and the lending rate at 28.25%, its Monetary Policy Committee said on Thursday in a statement. The country's fourth hold in a row was correctly predicted by all nine economists surveyed by Bloomberg.

The North African nation secured a $57bn global bailout and devalued its currency about 40% earlier this year, but previous expectations of a rate cut in the fourth quarter are being recalibrated after an uptick in the consumer-price index in August and September.

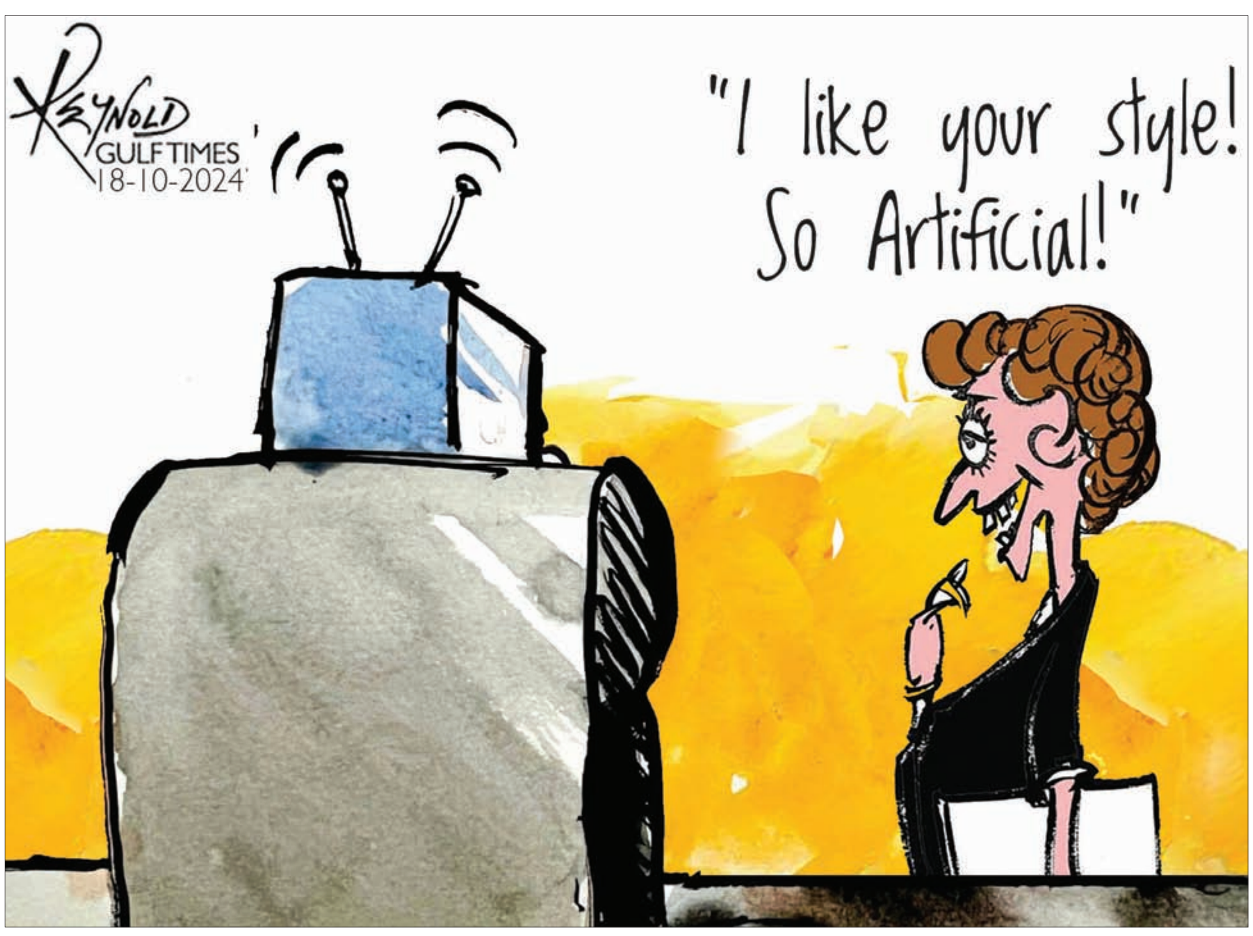
Egypt may also be factoring in the risk of an all-out war between Israel and Iran that might trigger a spike in energy prices and further disrupt regional trade already roiled by Yemeni rebel attacks on Red Sea shipping.

Inflation is expected to stabilise around current levels this quarter, with risks including "regional tensions, elevated international commodity prices, and higher than anticipated pass-through of fiscal measures," the central bank said in its statement.

Consumer-price growth had been defying many economists' predictions by maintaining a slowdown even after Egypt let the pound plunge in March to stem a two-year economic and foreign-exchange crisis. Authorities raised rates a combined 8 percentage points early in 2024.

That trajectory was interrupted by subsidy cuts over the summer that sharply hiked the prices of fuel and electricity, ending five months of cooling. Goldman Sachs Group Inc is among those predicting Egypt is likely to wait until the new year to embark on its first monetary easing since 2020.

There's "no rush for a rate cut at this stage," according to Mohamed Abu Basha, head of research at Cairo-based investment bank EFG Hermes. Authorities may also be cautious of a potential second-round effect from energy-price rises, he said.



McKinsey warns banks of 'fleeting' profit rebound as declining rates set to bite

Bloomberg
New York

Higher profits enjoyed by global banks over the last two years could prove "fleeting," consultants at McKinsey & Co warned in their annual state of the industry report, predicting headwinds from lower interest rates and flagging loan demand.

Return on tangible equity across a group of around 1,700 listed deposit takers rose to 11.7% last year, confirming that the past two years were "the best for banking since before the global financial crisis," according to McKinsey.

The report, whose authors include seven partners from across the firm's global practice, said under some scenarios recent profitability could only be maintained if banks cut costs at five times their usual annual rate, a tall order for an industry that has struggled to meaningfully boost productivity.

"The improvement in returns could be fleeting," McKinsey said, describing how its analysis showed ROTE could have been just 8% — or below the cost of capital — in several geographies for the last few years without the backing of higher interest rates. That support is now fading.

The study by the New York-based consultancy reinforces concerns raised by industry analysts about falling profitability as monetary authorities around the world turn their focus away from taming inflation to stimulating economic growth.

The US Federal Reserve cut its benchmark rate by half a percentage point in September, its first reduction in more than four years. The European Central Bank and the Bank of England have also started lowering theirs, with more expected in the coming months.

McKinsey said lower interest rates could lead to net interest margins – a key profitability measure that describes the gap between a bank's cost of funding and its lending – dropping by about 16% by 2030 from 2023. In anticipation, many of the biggest lenders have already started to tighten their belts, including by way of job cuts across the board. But these cost reductions may not be able to bridge the industrywide profitability gap.

To maintain current ROTE in the face of some macro-driven scenarios, the industry would need to reduce its cost per asset by 5% a year, or five times the industry's historic performance of 1%, McKinsey said.

"Banks are going to have to work a lot harder as they go forward," said Vik Sohoni, a McKinsey partner based in Chicago.

The consultancy, known as a factory that's produced some of the high-profile bank chief executive officers including Citigroup Inc's Jane Fraser, Lloyds Banking Group Plc's Charlie Nunn and former Morgan Stanley CEO James Gorman, argues that lenders can "avoid gravity" by following the tried and tested methods of current leaders, including being selective about their markets and embracing wealth management.