



ECB shouldn't rush rate cuts or plan too far ahead, says official



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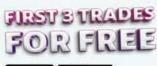






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Minister of Finance participates in GCC, World Bank event in Washington



HE the Minister of Finance Ali bin Ahmed al-Kuwari addressing the event in Washington yesterday.

QNAWashington

HE the Minister of Finance Ali bin Ahmed al-Kuwari participated in the event of the Gulf Co-operation Council (GCC) in co-operation with the World Bank, on the sidelines of the annual meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG), which are being held from October 21-26, 2024, in Washington, DC.

In his opening speech, HE the Minister of Finance emphasised the importance of joint efforts, saying: "There

celebrating, but there is also a great deal of potential that we can build on to grow our economies together and cooperate at the international level." This event aims to highlight the achievements of the Gulf Co-operation Council regarding global and regional priorities, as well as opportunities for collaboration in various economic and financial sectors that can drive regional and international economic growth. Additionally, it seeks to showcase the attractiveness of the investment environment in the member states and create opportunities. The event will also discuss the economic

and developmental policies expected to be adopted within the framework of joint Gulf co-operation.

HE the Minister of Finance Ali bin Ahmed al-Kuwari also participated in the discussion session "Gulf Economic Integration — Achievements and Aspirations" held during the event of the Gulf Co-operation Council in cooperation with the World Bank.

Addressing the session, HE al-Kuwari said: "The more diversified our economies are, the broader the scope of trade within the GCC countries. Such trade can enhance our region's resilience compared to longer supply chains." "While there are sectors in which our countries naturally compete, there is also ample opportunity for comparative advantage and mutually beneficial trade," His Excellency

The session discussed how GCC countries have benefited from regional cooperation to enhance economic resilience while balancing regional economic priorities with global demands. These efforts aim to build a sustainable competitive advantage, contributing to greater economic integration among member states and enhancing their ability to face global challenges by strengthening partnerships and cooperation in various fields.

Philippines keen on backing Qatar's construction talent needs, says POCB official

By Peter AlagosBusiness Reporter

An official of the Philippine Overseas Construction Board (POCB) has said that the Philippines is eager to support Qatar in its efforts to acquire talent in the construction sector.

POCB executive director Doris U Gacho said: "The Philippines has a wealth of talent; we have the technical capabilities. Our global workforce is known for their care and technical acumen, especially in architecture and engineering services."

"We are very much interested in

"We are very much interested in finding out about the requirements of the Qatar market and hopefully with this participation, we can establish connections and take advantage of these opportunities," noted Gacho, who led a delegation from the Philippines that participated in the recently held Big 5 Exhibition in Doha.

Gacho explained that the POCB has assembled a delegation of Philippine construction services exporters and firms specialising in architectural and engineering services to explore opportunities in Qatar's market. A key focus is leveraging the Philippines' extensive talent pool in the construc-



POCB Executive Director Doris U Gacho. **PICTURE:** Thajudheen

tion sector, she further pointed out.

According to Gacho, the POCB is taking significant steps to strengthen construction and engineering partnerships with Qatar, following the groundbreaking visit of His Highness the Amir Sheikh Tamin bin Hamad

al-Thani to the Philippines in April.
"This is our first time to explore the

Qatari market and our presence here aims to build on the historic visit of His Highness the Amir's state visit. We are hoping to build on the positive relationships established between our two nations and hopefully get to participate in the Qatar construction

market," Gacho told *Gulf Times*.

By leveraging global Filipinos, Gacho emphasised that the POCB's strategy centres on promoting construction and outsourcing services, particularly in architecture and engineering, by capitalising on the exist-

ing Filipino workforce in Qatar.
Gacho said: "One of the members of our delegation is the Professional Regulation Commission (PRC).

They are here not only to promote their services but also to engage with our Qatari counterparts during our meetings.

"We aim to explore ways to better align our licensing standards, ensuring that when we collaborate, our professionals and skilled workers meet the required skills and competencies expected by the Qatari market."

Gacho also lauded the support provided by the Philippine embassy in Qatar. During the Philippine Forum titled 'Building Beyond Borders: The Philippine Advantage' hosted by the POCB on the sidelines of the exhibition, Philippine ambassador Lillibeth V Pono stated in a speech that "Filipinos have played and continue to play an outsized role in spurring the development and progress, not only of Qatar but of the broader GCC

region."
Pono also said: "As construction and infrastructure continue to drive the global economy, both the Philippines and Qatar are well-positioned to benefit from each other's strengths with Filipino companies and professionals offering expertise in project management, architectural design, and engineering solutions, while Qatar provides a thriving and vibrant market with immense potential for growth and innovation."

The POCB is an implementing arm of the Construction Industry Authority of the Philippines (CIAP), which is one of the attached agencies of the Department of Trade and Industry (DTI).

POCB is mandated by Presidential Decree No 1167 to promote "the interest of the Philippine construction industry in overseas markets to increase and sustain the export of Philippine-made construction materials and equipment, and technical, managerial, and highly professional construction services."

German-Qatar partnership to deepen in various fields, says Invest Qatar-BVMW report

By Santhosh V Perumal

The German-Qatar partnership is set to deepen, with potential growth in shared areas such as energy security, investment, research and innovation, talent development and logistics, according to a joint report of Invest Qatar and the German association for small and medium sized businesses (BVMW).

"As Germany continues to seek secure and sustainable energy supplies, Qatar's role as a key provider of LNG (liquefied natural gas) is set to expand," the report said, adding the signing of a declaration of intent on an energy partnership in 2022 and the launch of a strategic dialogue in 2023 reflect the growing importance of this bilateral relationship.

has Qatar ramps up its LNG production capacity to 142mn tonnes per annum by 2030, it offers Germany a "stable and reliable" energy source, aiding in its efforts to diversify away from traditional energy supplies, it said.

Beyond LNG, the two nations share a

commitment to renewable energy and sustainability goals.
Qatar's investments in solar power and hydrogen production, as well as its ambitious targets for

Qatar's investments in solar power and hydroger production, as well as its ambitious targets for carbon capture and storage (CCS), align with Germany's long-term Energiewende (energy transition) strategy to achieve a climate-neutral energy system by 2045.

Qatar is a significant investor in Germany, with total investments of about \$27bn across various sectors, including automotive, energy, finance and real estate. Qatar Investment Authority (QIA) has strategically acquired substantial stakes in key German companies In 2023, Qatar's exports to Germany totalled \$726.2mn. **To Page 4**

QSE sees 90% of stocks in red as key index sheds 333 points

By Santhosh V Perumal Business Reporter

The geopolitical uncertainties was seen playing spoilsport in the regional bourses, including the Qatar Stock Exchange (QSE), which saw its key index plummet 333 points and capitalisation erode about QR19bn this week.

More than 90% of the traded constituents were in the red as the 20-stock Qatar Index plunged 3.1% this week which saw Nakilat and Milaha report net profit of QR1.28bn and QR917mn respectively in January-September 2024. An across the board selling dragged the main bourse this week which saw Vodafone Qatar ring in net profit of QR437.09mn in the first nine months (9M) of this year.

The banking and telecom counters witnessed higher than average selling pressure in the main market this week which saw Qamco saw its 9M-2024 net profit at QR427.72mn. The local retail investors continued to be net sellers but with lesser intensity in the main bourse this week which saw Doha Bank

report net profit of QR690.4mn in January-September 2024.

The foreign funds also continued to be bearish but with lesser vigour in the main market this week, which saw Aamal Company's 9M-2024 net profit at OR302.41mn.

The Gulf institutions remained net profit takers but with lesser intensity in the main bourse this week which saw a total of 0.31mn Masraf Al Rayan-sponsored exchange-traded fund QATR worth QR0.69mn trade across 65 deals.

The domestic funds' weakened net buying had its influence in the main market this week which saw as many as 0.02mn Doha Bank-sponsored exchange-traded fund QETF valued at QR0.24mn change hands across 19 transactions.

The foreign retail investors were seen net buyers in the main bourse this week which saw the banking, industrials and consumer goods sectors together constitute about 72% of the total trade volumes.

The Islamic index was seen declining slower than the other indices in the main

WEEKLY REVIEW

market this week, which saw no trading of sovereign bonds. Market capitalisation eroded QR18.87bn or 2.99% to QR611.57bn on the back of large and midcap segments this week, which saw no trading of treasury bills.

Trade turnover and volumes were on the decrease in the main market this week, which saw a Kamco Invest report that said projects awarded in Qatar grew 57.9% year-on-year to \$4.2bn in the third quarter of 2024.

The Total Return Index plunged 3.1%, the All Share Index by 3.03% and the All Islamic Index by 2.82% this week, which saw Qatar's core inflation rise faster than the general consumer price index in September 2024.

The banks and financial services sector index plummeted 4.18%, telecom (3.66%), transport (2.95%), real estate (2.13%), insurance (1.58%), consumer goods and services (1.23%) and industrials (1.05%) this week which Akber Khan, acting chief executive

officer of Al Rayan Investment, view Qatar's local currency debt market is expected to gain traction.

Major losers in the main market included Alijarah Holding, Ezdan, Qatar Islamic Bank, Gulf Warehousing, Estithmar Holding, QNB, Commercial Bank, QllB, Lesha Bank, Dlala, Qatar German Medical Devices, Salam International Investment, Widam Food, Baladna, Meeza, Aamal Company, Gulf International Services, Mazaya Qatar, Ooredoo, Vodafone Qatar and Nakilat. In the junior bourse,

Nevertheless, Beema, Al Meera, Qatar National Cement and Industries Qatar were the gainers in the main bourse. In the venture market, Al Mahhar Holding saw its shares appreciate in value.

Techno Q saw its shares depreciate in value

appreciate in value.

The Arab institutions' net profit booking grew marginally to QR0.57mn compared to QR0.3mn the week ended October 17.

The domestic funds' net buying decreased substantially to QR207.66mn against QR641.98mn the previous week.

The foreign institutions' net selling declined considerably to QR121.54mn compared to QR204.82mn a week ago.

The Qatari individuals' net selling weakened significantly to QR60.39mn against QR266.73mn the week ended October 17. The Gulf institutions' net profit booking

The Gulf institutions' net profit booking shrank markedly to QR38.75mn compared to QR62.06mn the previous week.

QR62.06mn the previous week.

The Arab individual investors' net selling eased perceptibly to QR15.34mn against

QR18.23mn a week ago.

The foreign individuals turned net buyers to the tune of QR27.34mn compared with net sellers of QR85.71mn the week ended October 17. The Gulf retail investors were net buyers to the extent of QR1.58mn against net profit

takers of QR4.04mn the previous week.
The main market witnessed a 29% slump in trade volumes to 638.78mn shares, 33% in value to QR1.64bn and 18% in deals to 59,729 this week. In the venture market, trade volumes grew more than tripled to 7.84mn equities and value almost tripled to QR18.39mn on 64% surge in transactions to 421.

JPMorgan eyes physical LNG trading again after Dimon hails boon

Bloomberg New York

JPMorgan Chase & Co is in talks to start trading physical liquefied natural gas again after more than a decade on the sidelines, a move that lines up with Chief Executive Officer Jamie Dimon's calls for an increase in domestic production and energy exports.

The bank has held talks to secure a long-term LNG supply with at least three projects under development in the Gulf Coast, according to people familiar with the matter.

The move is part of a wider push JPMorgan has made in recent years to get back into trading some of the physical commodities it abandoned in 2014

Discussions are underway between the bank and developers looking to build a project to liquefy and export gas in Louisiana called Commonwealth LNG, Sempra Energy's expansion of its Port Arthur site under construction in Texas and Energy Transfer LP's planned Lake Charles LNG facility in Louisiana, the people said, asking not to be identified describing the confidential negotiations.

Spokespeople for JPMorgan, Sempra, and Kimmeridge Energy Management Co, which owns Commonwealth, declined to comment. A representative for Energy Transfer didn't respond to multiple requests for comment.

Global demand is surging for LNG, with many nations seeking a cleaner-burning alternative to oil and coal as they shift toward renewable energy. The US has emerged as the world's largest exporter thanks to an abundant supply of gas and the development of huge terminals on the Gulf Coast to liquefy and ship the fuel.

JPMorgan's effort is the latest twist in what's been a bumpy saga for top Wall Street firms' involvement in the physical commodity space over the past two decades. JPMorgan inherited Bear Stearns's energy-trading platform when it bought the failed bank during the financial crisis, and bulked up through additional acquisitions in 2009 and 2010.

By 2014, JPMorgan agreed to sell much of its physical commodities arm — though the New York-based company hung on to its metals desks — as banks grappled with heightened regulatory scrutiny in the business. But within a decade, the firm was back to trading in the physical natural gas space.

gas space.

JPMorgan has expanded its physical natural gas trading operation in the US since 2022 and is eyeing US power, as well as gas and power in Europe, where it recently applied for a natural gas shipper license, some of the people said. Still, the firm has no plans to physically move LNG on water themselves, opting to stick to activities such as financing and hedg-



Jamie Dimon, chief executive officer of JPMorgan Chase & Co.

ing, two of the people said. Russia's invasion of Ukraine nearly three years ago sparked a massive shift in global energy trade and an ensuing market frenzy. At Goldman Sachs Group Inc, long a dominant force in commodities, that desk pulled in more than \$3bn for 2022 — more than 10 times what it generated in 2017.

Companies in the US have accelerated construction of LNG facilities in recent years, and JPMorgan has long played a financing role for such projects

Furthermore, the build-out of artificial-intelligence infrastructure has sparked heightened client demand for commodities, JPMorgan's global co-heads of sales and research, Claudia Jury and Scott Hamilton, said in an interview earlier this year.

In his annual letter to shareholders, Dimon wrote about the economic and geopolitical advantages that accompany domestic energy production. That followed earlier dispatches about the need for reliable, affordable energy in conjunction with investments for future efforts to reduce carbon dioxide and other greenhouse gases from the atmosphere.

"The export of LNG is a great economic boon for the United States," Dimon wrote in April. "But most important is the realpolitik goal: Our allied nations that need secure and affordable energy resources, including critical nations like Japan, Korea and most of our European allies, would like to be able to depend on the United States for energy."

In the same letter, he decried the Biden Administration's pause on US LNG permitting, which effectively halted all new export projects from approval — calling the push to stop oil and gas output as "enormously naïve."

Macquarie Group Ltd, one of North America's largest energy traders, also has a preliminary agreement for US LNG supply with the project Texas LNG, under development by closely held Glenfarne Group. Macquarie Chairman Glenn Stevens echoed Dimon's remarks at the Australian bank's annual meeting in July, telling investors that "we do think that natural gas, in particular, is an important part of the transition path for the world."

VW's Scout Motors adds new hybrid models to counter EV slowdown

Bloomberg

olkswagen AG's forthcoming Scout line of battery-powered sport utility vehicles and pickup trucks is adding gasoline-fuelled internal combustion engines to the mix.

Scout Motors, VW's big bid to finally become a significant player in the US auto market, will offer its new Traveler SUV and Terra pickup in plug-in hybrid versions in addition to battery-only configurations. The gaselectric models will feature a combustion engine to automatically recharge the battery as the vehicle rolls down the road, the company said at a splashy ceremony to reveal the concept vehicles near Nashville on Thursday.

The shift marks a hedge by VW since it announced plans in 2022 to revive and electrify the classic American Scout brand that was last sold 44 years ago. EV sales growth has since slowed, with mainstream buyers resisting their high prices and a spotty infrastructure of charging stations.

Several automakers, including VW, have delayed and cancelled EV models in response to the slowdown. Adding a range-extended electric vehicle option, or EREV, is a move to tackle those challenges and help VW become a more relevant player in the US as it contends with challenges at home and abroad.

"We have only 4% market share in the US," Arno Antlitz, VW Group's chief financial officer, said in an interview. "Going forward, to become more robust, become even more profitable, we need to grow in the US."

EREV addition: Although not yet available in the US, ER-EVs have become the fastest growing propulsion system in China, the world's largest EV market. They're prized for long driving ranges and lower costs than battery-only EVs.

Chrysler parent Stellantis NV plans to begin selling its EREV Ramcharger pickup truck next year. Ford Motor Co has also said it is considering the technology.

Scout began incorporating the optional EREV into its model lineup about nine months ago, said Scott Keogh, Scout's chief executive officer.

"Why did we do this? We listened," he said in an interview. Keogh said Scout's EREV variants should "absolutely" resolve



volkswagen's gas-electric models will feature a combustion engine to automatically recharge the battery as the vehicle rolls down the road. VW's forthcoming Scout line of battery-powered sport utility vehicles and pickup trucks is adding gasoline-fuelled internal combustion engines to the mix.

worries would-be EV buyers have about running out of juice on long drives, known as range anxiety. They'll also be cheaper than their pure-electric counterparts, he said, because they'll run on a smaller battery, the most expensive part of an EV.

Scout said its extended-range models will be capable of driving more than 500 miles before refuelling, compared with a 350-mile range on the pure-electric variants. The gas engine does not propel the wheels, but only acts as an on-board generator to recharge the vehicle's battery.

The Traveler and Terra will arrive in 2027 and be priced starting around \$60,000, the company said. When government EV incentives are factored in, the cost will fall closer to \$50,000, it said.

Keogh did not give prices for the gas-electric versions, which will be branded "Harvester." He also wouldn't reveal a sales target for Scout or its EREV business, though Scout expects the SUV will account for two-thirds of total sales.

Legacy reboot: The "Harvester" name is a nod to Scout's original owner, International Harvester, which built the brand's SUVs and trucks from 1960-1980.

VW acquired the Scout brand

when it purchased Navistar, the successor company to International Harvester, in a deal that closed in 2021. A year later, VW said it would revive the Scout brand as a line of EVs in a bid to finally make a dent in the US market that has foiled the German automaker for decades.

The idea is to take on American SUV stalwarts like the Jeep Wrangler and the Ford Bronco with a reimagined Scout line designed in the US and built at a \$2bn factory under construction in South Carolina.

The Terra pickup is a full-sized truck that goes after the electric versions of the Ford F-150, General Motors Co's Chevrolet Silverado and Rivian Automotive Inc's RIT.

"This goes right into where 40% of the profit pools are in the US," Keogh said. "And these are the biggest single profit pools in the total global car market."

Keogh said Scout will turn a profit on an operating basis in its first full year, thanks to the economies of scale and parts buying power its parent VW gives it.

"We'll be profitable on car number one," Keogh said, noting that's on a "contribution margin" basis and doesn't include the billions in startup costs.

Scout also may adopt some technology from VW's new joint

venture with American electric startup Rivian, Keogh said. VW announced it June it is investing as much as \$5bn into Rivian to jointly develop battery-powered vehicles and software.

"There's the possibility that that joint venture software could work its way into a Scout, absolutely," Keogh said, adding that Scout hasn't had any conversations with Rivian.

US push: VW's big bet in the US comes as the automaker is struggling at home and in China, its two largest markets, and is considering unprecedented factory closings in Germany. Labour union representatives, who sit on VW's supervisory board, and German government officials have vowed to fight any plant shutdowns.

Keogh contends VW needs its American operations to finally deliver, given its struggles elsewhere.

"The VW Group needs to get stronger in America to balance all of the challenges," Keogh said. "And with so much happening geopolitically, let's say it's critical to have a stronger footprint in America."

Scout began taking orders on the new models Thursday and will sell them directly to consumers, rather than through dealers.

Bonds slump globally as traders rethink Fed's rate cut path

Bloomberg New York

Bonds extended losses as investors mulled the prospect of slower US interest-rate cuts, a trend that risks upending debt positions everywhere.

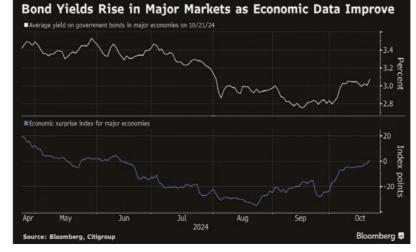
The selloff pushed yields on twoyear Treasuries higher by as much as two basis points on Tuesday, while 10year yields briefly topped 4.2% for the first time since July. The rate on 10-year German securities touched the highest level since early September.

The rout also spread to Asia, where the yield on Australian benchmark debt surged as much as 16 basis points. US yields subsequently retreated to littlechanged levels.

At the heart of the selloff lies a reassessment of the outlook for US monetary policy. Traders are paring back bets on aggressive easing given the US economy remains robust and Fed officials this week sounded a cautious tone over the pace of future rate decreases. Rising oil prices and the prospect of bigger fiscal deficits after the upcoming US presidential election are only compounding the market's concerns.

"With less than two weeks now until the US elections, concerns about the fiscal outlook and its potential upward pressure on inflation have become more acute," said Robert Dishner, senior portfolio manager at Neuberger Berman in London.

The US 10-year yield rose 10 basis points on Monday. The move steepened a part of the US yield curve that's been inverted since late 2022, with the gap between three-month and 10-year yields reaching the narrowest level in nearly two years. "We will see 4.5%



probably early next year" for US 10year yields, said Ed Yardeni, founder of Yardeni Research, speaking in an interview on Bloomberg Television.

Traders have pared the extent of expected Fed interest-rate cuts through September 2025 by more than 10 basis points since the end of last week, according to swap pricing, which implies

a Fed target rate of 3.50-3.75%.

Apollo Management is among those who've said the central bank could keep rates unchanged at its next meeting, while T Rowe Price sees US 10-year yields climbing to 5% next year on risks of shallower rate cuts and as growth improves.

"Treasuries may struggle in the coming months, with a strong upward bias for yields as the US economy stays resilient and supply concerns grow", says Garfield Reynolds, Markets Live strategist at Bloomberg.

The outlook is also being repriced

across other markets. Swaps are signalling the Reserve Bank of Australia will cut its benchmark rate cut by only about 50 basis points through to the end of August next year, half of what was priced in after the September policy meeting. Similarly, traders brought forward their forecast for the next Bank of Japan rate hike to June, compared with later than July seen last month.

Demand for long-term holdings of Japanese 10-year bonds, "which carry relatively high interest-rate risk, is likely to be limited" in this environment, Keisuke Tsuruta, a senior fixed-income strategist at Mitsubishi UFJ Morgan Stanley Securities Co in Tokyo, wrote in a research note.

Not everyone expects the selloff to gain momentum. The Fed and Reserve Bank of New Zealand, among others, are in the midst of rate-cutting cycles, which should generate an underlying bid for bonds.

Corporate bond binge to extend in 2025, says Goldman's Fine

Bloomberg New York

High-grade US companies are going to borrow even more in 2025, building on this year's record-setting pace, according to Goldman Sachs Group's global head of investment-grade debt.

"It'll be an up year," Jonny Fine, who took the helm of the bank's high-grade debt business earlier this year, said on the latest Bloomberg Intelligence Credit Edge podcast "There's a lot of growth in the economy that needs to take place, as well as all of the refi." US blue-chip debt sales have surged 30% this year as companies rush to get ahead of any election-related volatility and take advantage of growing appetite from cash-rich investors. Issuance is on track to surpass 2021, which would make it the second biggest year on record, and Fine sees potential for another 10% increase in 2025.

2025.
Debt refinancing will account for the bulk of the sales, while infrastructure finance and buyouts will boost volume as the US economy expands, he said. Fine, who outside of his market insight has earned a notable social media following for his cooking prowess, expects the cost of funds to remain attractive for issuers, who've seen risk premia plummet to the lowest in 20 years this month.

"Anytime you get a financing environment where you get incredibly tight spreads and very low, or negative, or zero, new issue concessions, there'll be supply," said Fine. New issue concessions — or the premia that borrowers pay to raise fresh debt compared to existing bonds — turned negative this month as investors rushed to buy bonds. If pricing remains attractive in the immediate aftermath of the Nov 5 US presidential election and volatility remains subdued, Fine expects borrowers to tap the market early for their 2025 financing needs.

A significant interruption in deal flow as a result of the vote is unlikely in Fine's view. "Capital markets overall might just create a little bit of a temporary slowdown," he said. "A lot of the issuance that we're seeing is because nobody is expecting to have to go to market in that narrow window between election day and Thanksgiving," Fine said. US markets will be closed on November 28 for the Thanksgiving holiday. Globally, Goldman sees opportunity for growth in its high-grade debt business in Europe, Japan and Australia, Fine highlighted a flurry of activity in the energy and financial sectors this year but said he doesn't expect any one industry to dominate

While direct lenders are showing interest in blue-chip debt, Fine said they're not so much a competitive threat to syndicated bond markets as complementary to them. At the same time, business development companies are contributing to the public markets boom with a record amount of issuance, he noted.

"Very little of it will be direct to investmentgrade corporates, or at least direct to investment-grade corporates that typically would've otherwise financed in public markets," the banker said. "It's fishing in a different pond."

To Fine, public high-grade debt markets provide benefits in terms of liquidity, low transaction costs, standardisation and price tension that direct lending doesn't. "It creates a value proposition for an issuer that private markets can't compete with," he said. As a public debt underwriter, Goldman is targeting a high ranking when it comes to underwriting league tables for dollar- and euro-denominated bonds.

"We want to be number four in that business," said Fine. "It's a business where we know that the big three commercial banks in the US are going to have bigger balance sheets and bigger lending extension than we are."



BoJ may offer less dovish signs as US recession fears ease

Reuters

he Bank of Japan (BoJ) is set to maintain ultra-low interest rates next week, and probably signal a less dovish policy outlook due to receding fears of US recession — and the need to keep speculators from pushing down the yen too much.

Since ending a decade-long, radical stimulus programme in March, the BoJ has signalled its intention to keep raising interest rates from rock-bottom levels. But it was forced to water down the hawkish message and pledge to move slowly, or even pause, in raising rates after a hike in July was blamed for triggering a rout in markets.

While the BoJ appears in no rush to hike rates, any tilt back towards a less dovish stance would underscore its desire to leave itself wiggle room on the timing of the next move, analysts say. It may also help prevent the yen, which has renewed its decline recently, from testing further lows and hurting already weak consumption by pushing up fuel and food import costs.

"As the yen is falling again, the BoJ will probably try to avoid sending a message that would appear too dovish," said Ryutaro Kono, chief Japan economist at BNP Paribas.

At the two-day meeting ending on October 31, the BoJ is widely expected to keep short-term interest rates steady at 0.25%.

In a quarterly report to be released after the meeting, the board is also seen making no major changes to its projection that inflation will move around 2% through early 2027.

Recent domestic data have mostly backed up the BoJ's view that rising pay and prospects of sustained wage gains are underpinning consumption, and prodding more firms to raise prices not just for goods



People walk at the headquarters of Bank of Japan in Tokyo. The BoJ is set to maintain ultra-low interest rates next week, and probably signal a less dovish policy outlook due to receding fears of US recession — and the need to keep speculators from pushing down the yen too much.

but services. An intensifying labour shortage is also heightening expectations that companies will continue to hike pay next year, say three sources familiar with the BoJ's thinking.

"Japan's economy is on track for a recovery," one of the sources said. "Prices will likely keep rising as many companies have yet to fully pass on rising costs," another source said. The BoJ may reflect such progress made on the wage and price front in the report, which would underscore its conviction that the prerequisite for more rate hikes is falling into place.

Markets, however, will be focusing more on the BoJ's view on risks as Ueda has highlighted unstable markets and US recession fears as key reasons to go slow in its rate-hike path. After meeting his counterparts from major economies this week in

Washington, Ueda offered a cautiously upbeat view on the outlook for the global economy.

"Optimism over the US economic outlook appears to be broadening somewhat," although more scrutiny was needed on whether it would be long-lasting, he said on Thursday.

The BoJ may also drop hints by modifying the report's portion on future policy guidance. In the current report issued in July, the BoJ said it would continue to raise rates if economic and price conditions move in line with its forecast.

The board will likely debate whether additional language on risks or triggers for policy shifts should be included in the guidance, the sources said. The BoJ ended negative rates in March and raised short-term rates to 0.25% in July on the view Japan was making progress towards sustain-

ably achieving its 2% inflation target. Ueda has repeatedly said the BoJ will keep raising rates if the economy moves in line with its forecast. But he has also said the bank was in no rush as inflation remained moderate.

A slim majority of economists polled by Reuters expect it to forgo a hike this year, though most expect one by March.

The IMF on Thursday welcomed the BoJ's July rate hike and called on the central bank to raise rates at a gradual pace.

But political uncertainty and the yen's renewed declines are complicating the BoJ's communication. While it wants to tread cautiously to avoid upending markets, sounding too dovish could give speculators an excuse to sell off the currency—a dilemma Ueda acknowledged in Washington.

Asia markets diverge after Tesla boosts Wall Street

AFP Hong Kong

apanese shares ended the day down but Chinese markets gained in disjointed Asian trade yesterday, after Wall Street cheered strong results from electric car giant Tesla.

US futures were holding steady after Elon Musk's company surged nearly 22% on the back of higher earnings following a streak of disappointing results, helping to lift the Nasdaq and S&P 500. The Dow, however, was pulled lower by disappointing results from IBM and Honeywell.

"US shares are somewhat mixed at the close" and "for a change, the US dollar has actually lost value", said Phil Dobbie on National Australia Bank's Morning Call podcast. In Asian trade yesterday, Tokyo stocks closed more than half a per cent lower, while Hong Kong and Shanghai saw healthy gains.

Taipei, Seoul, Sydney, Bangkok and Manila were also higher, but Singapore and Jakarta lost ground, while Wellington was flat.

Paris and Frankfurt were down in early trade, and London was more or less flat. Stephen Innes of SPI Asset Management pointed to uncertainty over elections this weekend and an upcoming Bank of Japan (BoJ) meeting as complicating the outlook for Japanese equities.

"And let's not forget USD/ JPY blowing past the 150 mark. Finance Minister Katsunobu Kato is ringing the alarm bells, warning of 'onesided' moves in the yen. Still, BoJ Governor (Kazuo) Ueda seems to be in no rush to do anything drastic," he said.

"Between election jitters and BoJ chess moves, To-kyo markets are probably in for a busy opening on Monday." Inflation for Tokyo city slowed in October, data showed, ahead of national elections on Sunday and a central bank policy decision on October 31, where no rate change is expected.

Chinese markets, mean-while, were recovering from their losses of the previous day, encouraged by a rebound in real estate sales, which fuelled optimism about economic growth.

In the US, Treasury yields have pushed higher in recent days, although they retreated on Thursday, with uncertainty on trading floors also high less than two weeks ahead of US elections, with the outcome still far from clear. Observers say some dealers are eyeing a win for Donald Trump and policies such as tax cuts that could stoke inflation.

That, along with a strong run of US economic data and remarks from Federal Reserve officials backing a cautious approach to easing monetary policy, has seen expectations for rate cuts whittled back.

In Tokyo, the Nikkei 225 closed down 0.6% to 37,913.92 points; Hong Kong — Hang Seng Index ended up 0.5% to 20,588.57 points and Shanghai — Composite closed up 0.6% to 3,299.70 points yesterday.

China refrains from cutting policy rate after record trim

Bloomberg

China's central bank kept its one-year policy rate unchanged, after slashing funding costs by the most on record a month ago, suggesting authorities are cautiously pacing

monetary stimulus to support the economy.

The People's Bank of China (PBoC) kept
the interest rate on the medium-term lending
facility steady at 2% while draining a net 89bn
yuan (\$12.5bn) for October, according to a
statement yesterday. All but one of the 15
economists polled by Bloomberg predicted

Beijing reduced the cost on the funding facility by an unprecedented 30 basis points late September, although the rate is being replaced by a shorter-term one as the main lever to guide markets as part of the monetary authority's recent overhaul of its policy tools.

the rate would remain unchanged.

Traders are zeroing in on any stimulus measures China has to offer, after PBoC Governor Pan Gongsheng last month announced outsized cuts to rates and the reserve requirement ratio in a blockbuster press briefing.

Those moves can free up cash for banks to lend, helping the economy to meet its growth goal of around 5% this year. "This is largely in line with market expectations, both the unchanged rate and a small net withdrawal," said Xiaojia Zhi, chief China economist at Credit Agricole SA. "But it doesn't mean that the PBoC is not supportive of liquidity."

The central bank is likely to roll out more policy easing steps such as a RRR cut in the coming month, according to Zhi. The size of the reduction could be 50 basis points again, as a total of 2.9tn yuan of MLF funds will mature in the next two months while the government may issue more bonds, she said.

Pan reiterated last week that the central bank may cut the RRR by 25 to 50 basis points by the end of the year depending on market liquidity conditions.

Opinions on the potential window for the next interest rate cut are more divided. Some believe the PBoC may wait until early next year to cut rates again in order to avoid putting too much pressure on the yuan. Others have flagged the possibility of a move in the rest of this year to counter headwinds such as a deterioration in market sentiment if



The People's Bank of China headquarters building in Beijing. China's central bank kept its one-year policy rate unchanged, after slashing funding costs by the most on record a month ago, suggesting authorities are cautiously pacing monetary stimulus to

Donald Trump wins the US presidential election. Serena Zhou, senior China economist at Mizuho Securities Asia Ltd, forecast a 20-basis-point cut to the seven-day reverse repo rate — now regarded as the main policy rate — by the year's end, along with additional

fiscal stimulus to support domestic demand.
Further rate cuts may add to Beijing's efforts to revive growth, including measures to support the ailing housing sector. A stimulus package announced since late last month has prompted a stock rally, although global

monetary and financial officials believe more needs to be done to rebalance the economy as well as to tackle weak domestic demand and overcapacity. China's economy expanded at the slowest pace in six quarters in the three months ended in September, despite early signs of improved consumption during the final weeks of the period. Yesterday, the PBoC added 700bn yuan of cash with MLF as 789bn yuan of funds came due.

The net withdrawal reflects banks' reduced demand for cash after the previous RRR cut, as well as the fact that the MLF's cost at 2% is still higher than market rates and other PBoC tools, analysts said. The PBoC has embarked on an overhaul of its policy toolkit since June with the goal of operating it similarly to global peers to influence markets more effectively.

As part of the shift, the central bank has been sidelining the MLF as the main lever for adjusting interest rates or providing liquidity. Instead, it's laid out plans to replace the MLF for that role with seven-day reverse repurchase agreements, which are conducted daily to manage short-term liquidity by buying government securities from lenders and selling them back after a week.

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BUSINESS

GULF @ TIMES

German-Qatar partnership to deepen in various fields, says Invest Qatar-BVMW report

From Page 1

The majority of these exports consisted of petrochemical products, valued at approximately \$515.6mn, followed by chemicals, oil and gas exports. The remaining 10.4% of exports, valued at about \$72.6mn, consisted of various other

"Looking ahead, the economic ties between Qatar and Germany are expected to deepen further," it said. Furthermore, Qatar's ongoing investments in Germany and the active involvement of German companies in Qatar are going to foster mutual growth, reinforcing both countries' economic stability and development, it highlighted. Noting that Germany's announced FDI (foreign direct investment) projects in Qatar underscores the growing economic partnership between the two nations; it said since 2019, Germany's announced FDI projects in Qatar have been valued at \$251mn in greenfield projects, making it the sixth-largest source of such investments in the country "This investment activity highlights the

alignment between German expertise and Oatar's strategic priorities, particularly in sectors where Qatar is seeking to diversify and strengthen its economy," the report

Qatar's top sectors for Greenfield investments include oil and gas, chemicals, communication, hotels and tourism, business services, software and IT, renewable energy, real estate, building materials and automotive OEM, which present significant opportunities for further collaboration.

The presence of German investments in these sectors not only bolsters Qatar's economic diversification efforts but also opens up avenues for enhanced cooperation in areas like renewable energy, advanced manufacturing and digital transformation.

Germany can leverage its expertise to support Qatar's sustainability initiatives including its goal of installing over 5GW of solar power by 2035. Together, the two countries have the potential to drive innovation and investment in green technologies, supporting global efforts toward a low-carbon future.

Nvidia overtakes Apple as world's most valuable company

Reuters New York

vidia dethroned Apple as the world's most valuable company yesterday, following a recordsetting rally in the stock powered by an insatiable demand for its new supercomputing AI chips.

Nvidia's stock market value briefly touched \$3.53tn, while that of Apple was \$3.52tn, according to data from LSEG.

In June, Nvidia briefly became the world's most valuable company, before it was overtaken by Microsoft and Apple. The tech trio's market capitalisations have been neck-and-neck for several months. Microsoft's market value stood

Nvidia's stock has risen about 18% so far in October, with a string of gains coming after OpenAI, the company behind ChatGPT, announced a funding round of \$6.6bn. Nvidia provides chips used to train so-called foundation models such as OpenAI's GPT-4.

"More companies are now embracing

artificial intelligence in their everyday tasks and demand remains strong for Nvidia chips," said Russ Mould, investment director at AJ Bell.

"It is certainly in a sweet spot and so long as we avoid a big economic downturn in the US, there is a feeling that companies will continue to invest heavily in AI capabilities, creating a healthy tailwind for Nvidia." Nvidia's shares hit a record high on Tuesday, building on a rally from last week when TSMC, the world's largest contract chipmaker. posted a forecast-beating 54% jump in quarterly profit driven by soaring demand for chips used in AI.

The next big test will be when Nvidia reports third-quarter results in November. Nvidia in August forecast thirdquarter revenue of \$32.5bn, plus or minus 2%, compared with the current average analyst expectation of \$32.90bn, according to data compiled by LSEG.

Morgan Stanley analyst Joseph Moore said in a note dated October 10 that he remains "very bullish" about the company longer term, but the recent rally "raises the bar for earnings somewhat".

After a meeting with Nvidia's CEO Jensen Huang, Moore noted the ramp up in production of its next-generation Blackwell chips appeared to be "quite strong" and are booked out for 12 months. The stock came under pressure in August after Nvidia confirmed reports that the production of Blackwell chips was delayed until the fourth quarter.

Shares of Nvidia, Apple and Microsoft have an outsized influence on the richly valued technology sector as well as the broader US stock market, with the trio accounting for about a fifth of the S&P 500 index's weightage.

Frenzy around the prospects of AI, expectations that the US Federal Reserve will considerably bring down interest rates, and most recently, an upbeat start to the earnings season, have pushed the benchmark S&P 500 to an all-time high

Nvidia's massive gains have helped boost the stock's appeal for option traders and the company's options are among the most traded on any given day in recent months, according to data from options analytics provider Trade Alert.

ECB shouldn't rush rate cuts or plan too far ahead, says official

Bloomberg

The European Central Bank (ECB) shouldn't hurry to lower interest rates or spend too long right now contemplating how far and how quickly they should fall, according to Governing Council member Bostjan Vasle.

Taking policy decisions one step at a time and based on economic data is an approach that's served policymakers well, the Slovenian official said in an interview in Washington. That guiding principle should be maintained as ECB borrowing costs approach levels that neither constrain nor stimulate growth, he said.

"The direction for no clear but I would still be very cautious regarding what we'll do during each of the next meetings," Vasle said. "I'm comfortable with being data dependent. I wouldn't like to pre-commit to anything, let's wait for the data."

The remarks come as other ECB officials reveal their thoughts on how the final policy meeting of 2024, in December, should pan out. Facing a stuttering economy and downside risks to inflation. Portugal's Mario Centeno has floated the option of a half-point cut — twice the usual size. But others, including Bundesbank President Joachim Nagel, warn against any rush.

Markets see a spate of rate moves that will bring the deposit rate to 2% by mid-next year from

Vasle argued that he hasn't significantly changed his perspective on the economy since the ECB last published forecasts in September.

"We're seeing some risks ma-



Bostjan Vasle, Governing Council member of the European Central Bank.

terialising indicating growth momentum will be weaker, especially this year," he said. But "baseline remains growth this year and an acceleration next year, supported by private consumption."

Signals on inflation have also been positive, according to Vasle, who highlighted a downward trend in services, in particular.

Prices in the sector are "showing some indication of moderation," he said. "This will further strengthen the disinflation process." He described risks to the outlook for consumer prices as "more or less balanced, maybe slightly on the downside at the moment." That assessment is in line with the one offered by Lagarde last week following the ECB's third rate cut since June. "We are still in restrictive territory," Vasle said. But "by lowering interest rates further. we'll be at the upper limit of the neutral rate estimates."

He wouldn't elaborate on what will happen once the ECB has reached that point.

"I'm not saying that we're going into an easing of monetary policy," he said. "I'm just saying that we're approaching the neutral position. Then we will see."

Meanwhile the uro-area inflation may slow to the European Central Bank's inflation target earlier than anticipated, according to Bundesbank president Joachim Nagel.

"We assume that we can possibly reach our target rate of 2% earlier than we thought we would in 2025," the German central banker told reporters in Washington, where he's attending annual meetings of the International Monetary Fund.

The ECB's most recent forecast - from September - predicted 2% would only be reached in the final quarter of next year, though officials familiar with the Governing Council's thinking told Bloomberg last week that officials now expect that to happen in the first or second quarter.

Russian central bank hikes benchmark interest rate to 21%, highest since 2003

Reuters

ussia's central bank hiked Russia's central cannot the its key interest rate by 200 basis points yesterday to 21%, the highest level since the early years of President Vladimir Putin's rule, when Russia was recovering from the chaos that followed the collapse of the Soviet Union.

The central bank said in its release that the hike was needed to fight inflation, currently at 8.4%, fuelled by massive budget spending, adding that inflationary expectations among the public have reached their highest level since the start of the year.

"Further tightening of monetary policy is required to ensure that inflation returns to target and to reduce inflation expectations," the regulator said.

hawkish rhetoric, saying another hike was possible at the next meeting. It also updated its inflation forecast for 2025 to 4.5-5.0%, signalling that the 4% target for the next year was out of reach.

"The central bank admitted that it will not be able to bring inflation back to target next year," said economist Evgeny Kogan, calling the move "a capitulation in the face of inflation".

Most analysts polled by Reuters had expected a 100 bps hike. The decision takes into account Russia's new draft budget, seen as inflationary due to increased military spending and a higher-thanexpected deficit of 1.7% of GDP for this year.

"Additional fiscal budgetary expenditures and the associated increase in the federal budget deficit in 2024 have pro-inflationary effects," the regulator said.

The rate is also the highest since the key rate was introduced in 2013, replacing the refinancing rate as the main market guidance.

Soon after Putin came to power in 2000, he launched economic reforms to stabilise the economy after the 1998 financial meltdown that enabled the central bank to bring the refinancing rate to below 20% in February 2003 and keep it below this level ever since.

The current weakness of the Russian currency, with the official exchange rate against the US dollar down by over 12% since early August, is also viewed by analysts as a strong inflationary factor.

The hike also reflects political support for the central bank's leadership, which faced unprecedented pressure from some of Russia's most powerful businessmen, including the heads of the country's largest oil and defence companies, to halt the tightening cycle.

Official data shows, however, at despite the tighter ures, corporate lending has not slowed down.

The International Monetary Fund (IMF), which cancelled its mission to Russia last month following protests by several European countries, reduced its forecast for Russia's economic growth by 0.2% to 1.3% in 2025 from 3.6% this year.

The fund cited slowing consumption and investment growth amid a less tight labour market and more moderate wage growth. The fund stated that its projections assume the central bank is adopting a tight monetary policy stance.

Russia officially forecasts economic growth slowing to 2.5% from the expected 3.9% growth this year.

The central bank raised the interest rate to 20% in February 2022 to calm markets unsettled by Russia's actions in Ukraine and to stop capital outflow. It lowered the rate to 17% in April 2022.

How a \$33bn fund manager scored a perfect record betting on value

Bloomberg New York

To those who argue that value investing has gotten too hard in today's momentum-chasing, passive-driven world, Scott McBride's results are a bit of a conundrum.

His firm, Hotchkis & Wiley Capital Management in Los Angeles, just hit the investment perfecta in terms of stock-picking acumen. All 10 of its actively managed mutual funds - from US large-cap stocks to high-yield bonds and international small-cap equities beat their benchmarks in the three and five years through August. The red-hot run for the 44-yearold shop is a rare rebuttal to conventional wisdom saying active management has lost its edge when passive funds regularly trample anyone trying to beat them. It's also a measure of vindication for value investing itself, a strategy long overshadowed by growth funds

and their market-beating gains. Several of Hotchkis & Wiley's funds beat broader equity indexes - not just those tuned to cheapness for long stretches of the period. To McBride, the chief executive, it's the very trends said to doom the value style - relentless passive flows into growth names, fickle investor tastes - that create exploitable inefficiencies and let stock pickers shine. Even with the S&P 500's price-earnings ratio approaching all-time highs, he says it's still possible to build portfolios with multiples in line with the historic average — and find winners among them.

"The market is driven by sentiment, it's driven by emotion," said McBride, whose firms oversees \$33bn in assets. "When you don't have a lot of folks who are thinking about what long-term value is, that creates opportunity." Hotchkis & Wiley's 100% win rate is the highest among 91 large firms with 10 or more mutual funds and well ahead of the group's average of 40%, according to

Hotchkis & Wiley Notches a Perfect Score All of the firm's mutual funds beat benchmarks ■ % of outperfoming funds over three years through August Hotchkis & Wiley werage of mutual fund familie ource: Bloomberg Intelligence

data compiled by Bloomberg Intelligence's mutual fund analyst David Cohne.

The results land amid a raging debate about the viability of value investing. Venerable managers have decried a market overrun by price-insensitive products such as

index and exchange-traded funds, leaving no natural buyer to lift the laggards and close a valuation gap between cheap and expensive stocks that is among the widest in history

McBride's success is proof that those trends don't doom stock pickers — that outsized returns can still be located. Certain data bears

An earlier study by Bloomberg Intelligence equity strategist Chris Cain found that among the cheapest fifth of the Russell 3000 Index, the proportion of stocks whose return topped the broader market rose to a five-year high of 54% in 2021 and stayed there the following year

On the whole, though, value stocks have struggled to keep up with the market. An index of stocks ranked low in metrics such as price to earnings or book value sank to a record low in July relative to the Russell 3000, thanks to a profit boom around the artificialintelligence craze. Several Hotchkis & Wiley funds bucked the trend. The \$675mn

Value Opportunities portfolio returned 10% annually in the three vears to August 30, outpacing the Russell 3000. Also ahead were funds focused on small-caps and

Hotchkis & Wiley seeks to uncover

companies whose fair values based on three-to-five-year projected growth are meaningfully below their market prices and that preferably pay dividends or buy back shares.

The path isn't always smooth. This year, for instance, the majority of Hotchkis & Wiley's funds are underperforming. McBride isn't bothered.

"The clients that have invested with us want us to be who we are," he said. "We don't get attracted to chase things that are hot. Our culture is to do the opposite, to look for places that have struggled and see if we can find values. McBride and his colleagues are willing to double down on unpopular stocks. During the third quarter, the firm's flagship portfolio, the Fundamental Value Fund, boosted holdings in APA Corp. an energy producer that's down about 30% this year. The market has underestimated APA's cash flow and the potential from its offshore Suriname project,

McBride said.