Sunday, January 5, 2025
Rajab 5, 1446 AH

GULF TIMES
BUSINESS

2025 CHALLENGE : Page 8

Eurozone inflation points to Lagarde's unfinished task to reach 2% goal

Travel and tourism share to Qatar GDP may account for 13% in 2034, says WTTC

By Pratap John
Business Editor

The World Travel & Tourism Council forecasts travel and tourism to account for 13.3% of GCC's GDP ($371bn) by 2034.

In its latest annual research, WTTC expects travel and tourism to have contributed 11.4% of the GCC region's GDP in 2024. This will have amounted to $247.1bn.

In 2034, travel and tourism is expected to employ 5.65mn people in the GCC region compared to 4.3mn in 2024.

Last year, international visitor spent in the region was estimated at $151.1bn, WTTC said and forecasts that it may scale up to $223.7bn in 2034.

Domestic visitor spent in the region last year was estimated at $72.7bn and may rise to $108.3bn in 2034, WTTC said.

As for Qatar, the global tourism body is forecasting that the sector will grow its annual GDP contribution to more than QR135bn by 2034, nearly 13% of Qatar's economy, and is projected to employ nearly 458,000 people across the country, with one in five residents working in the sector.

In an earlier forecast, WTTC said travel and tourism was set to contribute an all-time high of QR90.8bn to the Qatari economy (11.3% of the total) and would have supported more than 334,500 jobs across the country (15.8% of the total workforce) in 2024.

Spending by international travellers would have increased significantly in 2024, with forecasts indicating a record spend of QR69.6bn last year, while domestic spend was projected to have reached QR12bn.

Meanwhile, Qatar expects to see tourism share to its GDP to increase considerably by 2030.

Qatar Tourism data indicate that 2024 clocked an "impressive final tally" of 5,076,640 visitors, reflecting a 25% increase from 2023's 4,046,281 visitors. December alone turned in strongly with 594,079 visitors, a 14.6% rise from the previous year. The growth was driven by an additional 48,000 air travellers and 35,000 land visitors, offsetting a minor decline of 7,000 cruise passengers compared to 2023.

Visitor numbers in December also surged by 74,000 compared to November 2024.

Qatar's hospitality sector achieved a new record, surpassing 10mn room nights for the first time. As of December 30, 2024, the figure stood at 10mn room nights, with the final tally expected to be bolstered by an additional 35,000 room nights on December 31.

Visitor demographics revealed a diverse appeal, with GCC nationals accounting for 41% of visitors and the remaining 59% coming from key international markets. Top five countries include Saudi Arabia, India, the United Kingdom, Germany, and the US.

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QSTP announces the opening of applications for Cycle 15 of 'XLR8'

The Qatar Science & Technology Park (QSTP), part of Qatar Foundation, has officially opened applications for the 15th cycle of its flagship accelerator programme, XLR8.

Now in its 10th year, the rigorous 14-week programme is designed to help innovative thinkers and aspiring entrepreneurs evaluate the commercial potential of their technology-driven ideas with the ultimate goal of assisting them to launch a startup.

Participants will receive boot-camp-style training workshops, mentorship sessions and other resources needed to explore market demand, gain customer traction, and attract investor interest.

Mohammed Zebian, Programme Manager for Acceleration at QSTP, said: "At QSTP, we are committed to empowering innovators and entrepreneurs by providing them with the resources and guidance needed to succeed in the tech industry. Through the XLR8 programme, participants gain access to an exceptional network of mentors and coaches specialising in the commercialisation of tech-based innovation.

"They will receive hands-on support to develop their prototypes, refine business models, build customer traction, and craft effective go-to-market strategies. In addition, participants will benefit from the valuable opportunity to network with successful entrepreneurs, creating a solid foundation for their startup journey. We encourage innovators to apply for the upcoming cycle of XLR8 and take advantage of this transformative experience."

The XLR8 programme is open to teams of up to five members, all of whom must be residents of Qatar. Throughout the programme, participants will focus on transforming their tech-based concepts into commercially viable, early prototypes through hands-on mentorship and intensive workshops, paving the way for entrepreneurial success.

The programme is not open to already established private companies. Mentorship sessions will take place at QSTP's Innovation Centre, where participants will also have access to co-working spaces to support their progress.

The Qatar Science & Technology Park. Now in its 10th year, the rigorous 14-week programme is designed to help innovative thinkers and aspiring entrepreneurs evaluate the commercial potential of their technology-driven ideas with the ultimate goal of assisting them to launch a startup.

Additionally, QSTP announced special rewards for the top three winning teams of the cycle: incorporation of their startup at QSTP, providing them with a strategic platform to grow and scale their business; a paid intern (up to 20 hours per week) to assist with product development and accelerate the journey from prototype to market-ready solutions. These rewards are designed to ensure the winning teams have the critical support they need to continue their entrepreneurial journey and succeed in bringing their innovative ideas to life.

Forty startups have been launched via the QSTP XLR8 programme since its inception, and over 200 teams with nearly 500 individuals have benefited from its high-quality mentorship.

Applications are open until January 23, 2025. The programme will be launched on February 5 and will culminate in Demo Day, scheduled slated at the end of May, where all participants will pitch their startup ideas to the public and to potential investors, followed by the announcement of winners.

Egypt and Eni say drilling ship to begin work at Zohr gas field

Reuters
Cairo

A drilling ship will arrive in Egypt this month as operator Eni starts work on increasing production from the giant Zohr offshore gas field, Egypt's petroleum ministry said.

Egypt had planned to become a major gas exporter after Eni discovered the field in 2015, but domestic gas production in the African country has been falling since 2021 reaching a six-year low in 2024.

Average production at Zohr was 1.9bn cubic feet per day in the first half of 2024, well below the peak reached in 2019.

"As already stated by the Ministry of Petroleum and Mineral Resources of Egypt, Eni confirms that it is preparing to resume drilling in the Zohr gas field in the eastern Mediterranean," a spokesman for the Italian energy group said on Friday.

The Egyptian ministry issued its statement late on Thursday.

The drilling vessel 'Saipem 10000' is scheduled to move to Egypt in the coming weeks where it will begin a drilling campaign, using modern technologies, with the aim of increasing gas production, the spokesman added.

Saipem 10000 is a special vessel owned by Italian energy services company Saipem.

Moderate acceleration of global growth may be seen in 2025: QNB

A moderate acceleration of global growth may be seen in 2025, with significant monetary easing, a resilient US economy and a cyclical recovery in Europe and China, according to QNB.

Analysts and economists have been proving to be over pessimistic when it comes to forecasting major economies and global growth in recent years.

In fact, over the last two years, initial expectations for growth were 80 basis points (bps) and 40 bps below realised growth in 2023 and 2024, respectively.

As a result, this year, analysts are more cautious with their forecasts. Bloomberg consensus forecasts currently point to a moderate expansion of 3.1% in 2025.

This implies a continuation of the pace observed last year, maintaining global growth slightly below the 3.4% long-term average.

Entering into 2025, QNB's view is more bullish than consensus, as we see the global economy accelerating to expand by at least 3.2%.

"We believe conditions are set for a benign global macroeconomic environment of more balanced and synchronised growth, controlled inflation and relaxing financial constraints. Tailwinds include continued policy easing from major central banks, a resilient growth in the US, and a cyclical recovery in Europe and China," QNB noted.

As inflations continues to moderate towards central bank targets, there is further scope for additional rate cuts by the US Federal Reserve and the European Central Bank. Expectations are for additional policy rate cuts of 75 bps in the US and 150 bps in the euro area, taking the monetary policy stance from restrictive to accommodative.

This, QNB said, should support further investment and consumption growth, as credit becomes cheaper, new investment opportunities become more attractive and the opportunity costs of spending decreases.

The US economy is expected to remain on a strong footing as labour markets are resilient, productivity is growing rapidly with fast technology adoption and households have robust balance sheets with the strongest financial position in decades.

Moreover, the Fed is in the middle of a significant change of its monetary stance from restrictive to easing, which should provide a tailwind and further prevent any significant economic slowdown. Hence, US growth is expected at 2.2% in 2025, a slowdown from the 2.6% for 2024 and the 2.3% long-term growth, but still far from any significant weakening.

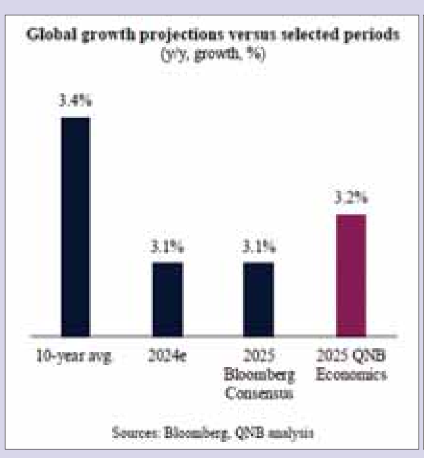
Importantly, the euro area and China are set for a cyclical recovery after an extended period of stagnation and weaker than average growth, respectively. More moderate energy prices, a recovery in global manufacturing demand and policy easing are expected to support some significant GDP acceleration. In the euro area, growth should expand from a weak 0.7% in 2024 to 1% in 2025, while in China the performance should improve from 4.8% to 5.0% for the same period.

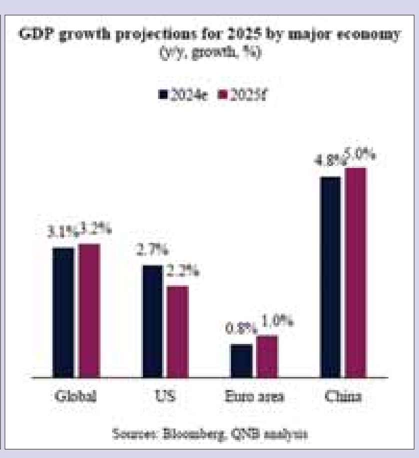
Stronger growth in China is likely to be a significant tailwind to emerging Asia in general and Asean economies in particular, reinvigorating their status as one of the most dynamic regions in the world.

This should be further supported by the cyclical recovery in global manufacturing and the easing monetary cycle in the US and Europe, which should favour portfolio inflows and FDIs, despite the threats from the USD strength and Trump 2.0 trade wars.

The major five Asean economies of Indonesia, Malaysia, the Philippines, Singapore, and Thailand are expected to grow by 5.2% in 2025, from 4.4% in 2024.

"All in all, we expect to see a moderate acceleration of global growth in 2025, with significant monetary easing, a resilient US economy, a cyclical recovery in Europe and China, and positive spill overs to Asean economies," QNB added.





BUSINESS

What's next after Biden blocks the $15bn Nippon Steel-US Steel deal?

Reuters
Washington

US President Joe Biden has blocked Nippon Steel's proposed $14.9bn purchase of US Steel citing national security concerns, in a potentially fatal blow to the deal after a year-long review.

Biden, President-elect Donald Trump and an influential labour union opposed the effort by Japan's top steelmaker to acquire the iconic American firm, which would have created the world's third-largest steelmaker, according to World Steel Association data.

The path forward is unclear. The companies could sue the US government, another buyer could swoop in for US Steel, or Republicans who favour the deal could urge Trump to find a way to approve it.

Here is what could come next:

The deal itself

The proposed deal has not yet been terminated by the companies even after Biden blocked the deal.

In a joint statement, Nippon and US Steel called Biden's decision "unlawful," and Nippon Steel may file a lawsuit against the US government challenging the procedures behind the decision, Japan's Nikkei business daily reported on Saturday.

David Burritt, US Steel's chief executive, said on Friday, "We intend to fight President Biden's political corruption." Some lawyers, such as Nick Wall, M&A partner at Allen & Overy, have said a legal challenge would be tough.

Nippon Steel argued it made numerous concessions, including offering to move its headquarters to Pittsburgh, to meet the demands of CFIUS, the Committee on Foreign Investment in the US, the panel that decides on whether foreign purchases of US companies should go forward.

CFIUS was split over a decision and did not make a recommendation on the deal.

"If they go to court most of the decisions by the various CFIUS agencies will be made public," said Brett Lambert, a former senior Pentagon official under Barack Obama, citing the rare move to forward a split decision to the president.

If the deal does not go through, Nippon Steel would have to pay a $565mn break-up fee.

US Steel's future

Pittsburgh-based US Steel had warned that mills could close and thousands of jobs would be at risk without the deal.

US Steel's profits have dropped for nine straight quarters amid a global industry downturn, but it still sports a forward price-to-earnings ratio of 12.87, more expensive than US peers, according to LSEG data.

The United Steelworkers union, which opposed the deal, has called the company's warnings baseless, saying on Friday that it is clear that US Steel's recent financial performance shows it "can easily remain a strong and resilient company." Other suitors could emerge. US-based Cleveland-Cliffs, which previously bid for the company, could come back with a lower offer. However, its market value is now smaller than that of US Steel.

"One would suspect that Nucor and Cleveland Cliffs will be in discussions with US Steel, but based on presidential messages one would think the US government may come to its aid and invest in its infrastructure," said Jay Woods, chief global strategist at Freedom Capital Markets.

Trump's position

Trump, who takes office on January 20, has repeatedly vowed to block the sale, a view he shared with Biden.

"I am totally against the once great and powerful US Steel being bought by a foreign company, in this case Nippon Steel of Japan," he wrote on his Truth Social platform last month. "As president, I will block this deal from happening. Buyer Beware!!!"

Trump's transition team did not comment on Friday. However, several current and former Republican officeholders on Friday criticized Biden's decision, saying it would cost investment in the US

US-Japan relations

Some analysts warned that blocking the deal could sour relations between the US and Japan, which Biden had worked on improving to counter the threat of China's economic and military rise.

Japan is a top investor in the US and its biggest business lobby has raised concerns about political pressure on the deal, a view the White House rejected.

"It would have helped us rebuild our competitiveness and counter China. To do this effectively, we need our friends, particularly Japan," Wendy Cutler, who served as a senior trade negotiator under former President Barack Obama, wrote on social media platform X.

Trump's stance on trade could add to that unease when he returns to office, as he has already threatened heavy tariffs on key allies Canada, Mexico and Europe.


The headquarters of the People's Bank of China in Beijing. The PBoC committee suggested strengthening monetary policy adjustments and adopting a more forward-looking, targeted and effective approach, according to the fourth quarter meeting held on December 27.

China central bank says it will cut banks' reserves and rates at proper time

- **Monetary policy committee suggests strengthening adjustment**
- **China 10- and 30-year treasury yields both hit record lows**

Reuters
Beijing

China's central bank said it will cut banks' reserve requirement ratio and interest rates at "proper time" during a quarterly meeting of its monetary policy committee held last week, according to a statement published on Friday.

The committee of the People's Bank of China (PBoC), suggested strengthening monetary policy adjustments and adopting a more forward-looking, targeted and effective approach, according to the fourth quarter meeting held on December 27.

The remarks echoed a *Financial Times* report on Friday, which cited the central bank as saying that the PBoC is likely to cut interest rates from the current level of 1.5% "at an appropriate time" in 2025.

Such remarks align with policymakers' commitment made last year towards creating a more market-driven interest rate curve. Analysts anticipate the central bank will make further changes this year to ensure credit demand is more responsive to monetary policy moves.

The PBoC said that it would prioritise "the role of interest rate adjustments" and move away from "quantitative objectives" for loan growth, the *FT* reported, as it embarks on a programme of interest rate reform that government advisors have called "an arduous task".

The economy's main rate is its seven-day reverse repo rate, which the PBoC last cut to 1.5% from 1.7% in late September.

China's 10-year and 30-year treasury yields both hit record lows on Friday on expectations of fresh monetary easing.

"(The PBoC will) enrich and improve monetary policy toolkit, conduct buying and selling of treasury bonds and pay attention to changes in long-term yields," the central bank said in the statement.

It also pledged to smooth the transmission mechanism of monetary policy and improve the efficiency of money utilisation.

Such comments underlined a broader plan to spur growth in the world's second-largest economy, where a severe property crisis has eroded consumer wealth and household spending and most government stimulus was going to producers and infrastructure.

China's decision-making Politburo last month shifted the nation's monetary policy stance to "appropriately loose" from "prudent", in a first such move since its "prudent" stance was adopted in 2010.

The PBoC's pledges also come as China braces for more trade tensions with the US as Donald Trump returns to the White House. The bank vowed it will stabilise foreign exchange market expectations and keep yuan reasonably stable.

Government advisers are recommending Beijing keeps its growth target unchanged this year at around 5%, but have also called for more forceful fiscal stimulus to bolster depressed domestic demand.

Bloomberg QuickTake Q&A

What's the UK energy price cap and why is it rising?

By Lars Paulsson and Eamon Akil Farhat

The cost of energy is rising for UK households, with regulator Ofgem increasing the limit on how much it allows suppliers to charge. High energy prices were a big talking point during the 2024 UK election campaign. The winner, Labour, promised to lower bills with a plan to get more energy from homegrown, renewable sources. That policy is unlikely to have much impact before 2030 at the earliest. Meanwhile, the government is facing calls from lawmakers, campaigners and the industry to review the system for pricing household energy and how it works.

What is the energy price cap?

Introduced in January 2019 by Ofgem during Theresa May's administration, the price cap was designed to save money for consumers by setting an upper limit on how much suppliers could charge homes per unit of electricity and gas they use. It covers most households — about 24mn in the UK — who are on a so-called standard variable tariff, and caps the level of profits an energy supplier can make at about 2.5%.

This offers protection for those consumers who don't switch suppliers regularly to secure the best price available.

What doesn't it do?

A common misconception is that the measure limits how high a household's bill will be. But it doesn't, since the total will depend on how much energy a home actually consumes. The cap set by Ofgem is expressed in terms of average energy bills, not an absolute ceiling. It was set to rise for a second consecutive quarter in January, with a further increase expected in April.

Has the energy price cap ever dropped?

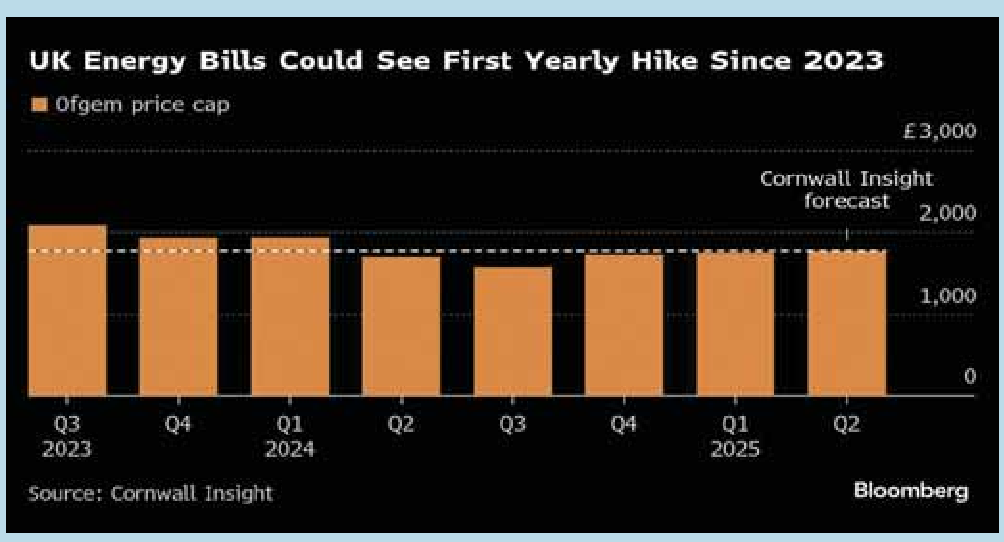
After reaching a peak during the energy crisis, the price cap, as well as household bills, started to fall. This helped to slow broader price inflation and relieve cost-of-living pressures on households. However, the cap remains well above the level before the energy crisis sparked by Russia's invasion of Ukraine. It's been rising again recently as bouts of cold weather and continued strains on European supplies have left energy providers paying more for natural gas. The price cap is not expected to drop significantly in 2025.

How is the energy price cap calculated?

Price moves in wholesale markets are the most important factor. Since Russian pipeline gas stopped flowing into Europe in large quantities, the UK and other Western nations have relied more on liquefied gas shipped from further afield. This is a global market, with buyers in Asia also competing for these cargoes. That makes the gas price in the UK, and therefore household bills, more exposed to geopolitics and world markets. If wholesale rates drop, as they have in the past, the cap will drop too. While renewable sources account for a growing proportion of the UK's electricity supply, gas remains the main driver of the overall price, and most UK homes get their heat from gas.

Why is the energy price cap controversial?

It was introduced as a measure that would save consumers money. And while for a time the cap was fairly stable, or even declining, the close link to the wholesale market meant that when the energy crisis set in, rates for even the most vulnerable consumers soared. Companies and campaigners alike have called for the system to be replaced by a "social tariff" that benefits users on lower incomes and is paid for by levies on more well-off consumers.



Biden to ban new oil drilling over vast stretch of coastal waters

Bloomberg
Washington

President Joe Biden is set to order a ban on new offshore oil and gas development across some 625mn acres of US coastal territory, ruling out the sale of drilling rights in Atlantic and Pacific waters as well as the eastern Gulf of Mexico.

The move represents a sweeping effort to permanently protect coastal waters — and communities that depend on them — from fossil fuel development and the risk of oil spills.

At the same time, Biden is keeping the door open for new oil and natural gas leasing in the central and western portions of the Gulf of Mexico that have been drilled for decades and currently provide about 14% of the country's production of those fuels, said people familiar with the matter who asked not to be named because the decision is not yet public. Biden's decision, set to be announced on Monday, will further burnish his climate credentials, deepening his record of fostering conservation and zero-emission energy. It builds on a series of last-minute White House moves to safeguard lands and enshrine environmental protections before President-elect Donald Trump takes office.

White House spokespeople didn't immediately respond to requests for comment made outside normal business hours.

Unlike other steps Biden has taken to constrain fossil fuel development and the greenhouse gas emissions that drive climate change, this one could have long-lived durability, complicating Trump's intention of bolstering domestic oil and gas production.

That's because Biden's planned proclamation is rooted in a 72-year-old provision of federal law that gives presidents broad discretion to withdraw US waters from oil leasing without explicitly authorising revocations.

Presidents of both parties — including Trump — have invoked the same statute to protect coral reefs, walrus feeding grounds and other American waters from Florida to Alaska.

And while presidents have modified decisions by predecessors to exempt areas from oil leasing, courts have never validated a complete reversal.

Congressional Democrats and environmental groups had lobbied Biden to maximise permanent protections against offshore drilling to safeguard vulnerable coastal communities, protect marine ecosystems from oil spills and fight climate change. Some environmental activists were divided on the best approach, worried that a too-broad declaration could jeopardise a legal tool that's been used to conserve special marine areas since 1953.

Yet the planned proclamation is simultaneously muscular and strategic — indefinitely protecting some areas that Republican and Democratic politicians have jointly pushed to keep free from drilling without encroaching on long-active territory in the Gulf of Mexico that's a foundation of US oil and gas production.

The declaration would not affect drilling and other activity on existing leases. It also keeps a path open for Republican lawmakers to order more central and western Gulf oil lease sales as a way to raise revenue that could offset the cost of extending tax cuts.

Environmentalists said Biden's move ensures that oil companies won't be able to tap reserves in the eastern Gulf and southern Pacific that have long beckoned industry. They added that the protections respond to growing public interest in limiting offshore oil drilling.

The president would be delivering an "epic ocean victory" and "contributing to the bipartisan tradition of protecting our coasts" by enshrining the protections, said Joseph Gordon, a campaign director with the environmental group Oceana.

Oil industry advocates said the planned action limits US energy might, even as the country stands on the cusp of an expected surge in electricity demand from data centres, artificial intelligence and manufacturing. Offshore energy development powers a long chain of economic activity that extends far from US coastlines, they argue, and oil and gas extracted in America yields less planet-warming pollution than elsewhere around the world.

"Voters made their views clear about the importance of American energy, yet the Biden administration's misguided approach continues to undermine our nation's energy advantage," said Dustin Meyer, senior vice president of policy at the American Petroleum Institute.

Trump could order a reversal of Biden's action, just as he tried to revoke President Barack Obama's withdrawals during his first term in office. But Trump's earlier attempt was rejected by a federal district court in 2019.

Also, some of the waters that Biden is targeting overlap with territory near Florida and the southeast US that Trump himself temporarily withdrew from oil and gas leasing during the final weeks of the 2020 presidential campaign. Trump's withdrawals are otherwise set to expire in 2032.

The front facade of the New York Stock Exchange. US stocks face its first major test of the year in the coming week, with investors counting on the jobs report to show a stable but not overheated economy that underpins expectations for equity gains in 2025.

US jobs report poses first big stocks test of 2025

Reuters
New York

The stock market faces its first major test of the year in the coming week, with investors counting on the US jobs report to show a stable but not overheated economy that underpins expectations for equity gains in 2025. Stocks wobbled at the end of December and the start of January, cooling off after a torrid run.

The benchmark S&P 500 closed 2024 with a 23% rise and posted its biggest two-year gain since 1997-1998. Prospects for a third straight standout year hinge in part on the strength of the economy, with labour market data among the most important reads into the economy's health. The data could also help clarify the Federal Reserve's interest rate plans after the central bank last month rattled markets by reducing its projected rate cuts for 2025.

"Investors are going to want to see confirmation that labour trends remain solid, which means the economic outlook probably remains firm," said Anthony Saglimbene, chief market strategist at Ameriprise Financial. "Any kind of data that suggests things are weakening a little bit more than expected I think could create volatility," Saglimbene said.

Investors enter the year generally upbeat about the US economy. A Natixis Investment Managers survey conducted at the end of last year found 73% of institutional investors said the US will avoid a recession in 2025.

Labour market data has been volatile in recent months following aerospace industry strikes and hurricanes. November data showed growth of 227,000 jobs that rebounded from a tepid rise in October.

The three-month average gain of 138,000 "suggests that hiring continues to slow gradually," Capital Economics analysts said in a note.

The report for December, due out on Jan 10, is expected to show growth of 150,000 jobs with the unemployment rate at 4.2%, according to a Reuters poll of economists.

Following the prior two reports, "this is going to be probably the first clean read of what is the underlying trend in the labour market," said Angelo Kourkafas, senior investment strategist at Edward Jones.

Investors are also wary of the jobs report revealing an overly strong economy, with a revival of inflation seen as one of the key risks to markets early in the year.

The Fed at its December meeting lifted its forecast for expected inflation in 2025, paving the way for higher interest rates than it previously forecast.

After lowering its benchmark rate at three straight meetings, the Fed is expected to pause its easing cycle when it next meets at the end of January before making further cuts of about 50 basis points over the rest of the year.

For the jobs report, the market is "looking for that Goldilocks number — neither too hot, nor too cold," Kourkafas said. While the payrolls data will be the most closely followed release, the coming week brings other market-sensitive employment figures, as well as reports on factory orders and the services sector.

Despite a strong 2024, stocks were weak in December, with the S&P 500 falling 2.5%. December had only five days with more stocks in the index gaining as opposed to declining, the lowest share of such relatively positive days for any month going back to 1990, according to Bespoke Investment Group.

Following the end-of-year holiday period, "next week probably ushers in more robust volumes, which would certainly be a better indication of directionality for the market," said Art Hogan, chief market strategist at B Riley Wealth. "A solid jobs report would certainly help turn things around in this market that has otherwise been pretty soft to end the year and start the new year," Hogan said.

New car sales in US rise to five-year high in 2024

Reuters
Detroit

US new-car sales in 2024 continued to rise from their pandemic lows, bolstered by replenished inventories, higher incentives and surging demand for hybrid vehicles, automakers reported on Friday.

Sales are expected to near 16mn vehicles, the highest level since 2019, with General Motors defending its 2023 sales crown.

Automakers are projecting strong results to continue into 2025, although President-elect Donald Trump's proposed automotive policies, such as removing tax credits for EVs, present a wild card.

"We're carrying significant momentum into 2025," Rory Harvey, GM's head of global markets, said in a release. The Detroit automaker sold 2.7mn vehicles last year, the company said on Friday, up 4.3% from 2023.

Most automakers recorded solid sales results last year, as they adjusted to slowing demand for EVs and relied on their core business of gasoline-powered trucks and SUVs, while some capitalized on soaring consumer interest in hybrid vehicles.

Toyota notched a 3.7% sales gain year-over-year in the US, boosted by steady increases of reliable smaller vehicles such as the Camry and RAV4 SUV, as well as significant gains for hybrid vehicles. Reuters reported last year that the automaker is potentially converting all of its lineup into hybrid-only models.

"For hybrids, we're sold out — customers want them, we can't get enough of them," said David Christ, head of sales and marketing for Toyota in North America. "Battery electric vehicles, even with the huge incentives we're spending and the federal government's incentives, are just not as in demand."

Ford Motor also benefited from an increase in hybrid sales, which helped the automaker's total vehicle sales rise 4.2% in 2024. The Dearborn, Michigan, company sold roughly double the number of hybrids compared with its EVs, with 187,426 hybrids sold and 97,865 EVs.

Automakers have axed or changed lofty EV plans laid out when demand seemed much stronger than it turned out to be, but they are still aiming to attract new EV buyers.

Ford said on Friday that in an effort to support EV sales, which were up 34.8% for the automaker in 2024, it would extend a program where EV buyers receive free chargers and installation at home through the end of March.

US sales of electric vehicles are expected to approach 1.3mn, or about 8% of all new vehicles purchased, Cox Automotive said. Buyers' willingness to go electric crept up slightly from 2023, when US drivers bought 1.2mn EVs, comprising 7.6% of all sales, Cox said.

The Trump administration's plans would likely affect auto sales in 2025 and beyond, if the incoming president makes good on plans to roll back President Joe Biden's EV policies, including a $7,500 consumer tax credit on some EVs, as well as increase tariffs on imports from Mexico and Canada.

"If you take true demand for the car and you eliminate the $7,500 benefit… it's really going to change who wants them and how they buy them. So we're preparing for that," Toyota's Christ said.

Jeep maker Stellantis and electric vehicle giant Tesla were the outliers last year, recording slipping sales compared with 2023.

Stellantis had a particularly rocky 2024, with sales of its popular Ram, Jeep and Dodge brands all decreasing, third-quarter company reports show.

The French-Italian automaker grappled with fallout from an aggressive pricing strategy that ultimately led to the abrupt departure of former CEO Carlos Tavares.

Tesla has faced slowing sales as its lineup grows stale and competition in China intensifies, eating in to an important market for the company run by Elon Musk.

A year after Boeing's blowout, quality remains work in progress

Bloomberg
Washington

One year after a near-catastrophic accident tipped Boeing Co into a state of continuous crisis, the top US air-safety regulator cautioned that the planemaker's efforts to improve its manufacturing quality are still in the early stages.

"This is not a one-year project," outgoing Federal Aviation Administration (FAA) Mike Whitaker said yesterday in a statement. "What's needed is a fundamental cultural shift at Boeing that's oriented around safety and quality above profits."

His comments suggest that it will take time before Boeing can hope to be relieved from a production cap instituted by the FAA in the wake of the January 5, 2024 fuselage blowout.

The freak accident on an airborne 737 Max 9 operated by Alaska Airlines led to a year of turmoil, with regulators, airline customers and workers all lashing out at the planemaker for losing its way. Boeing was forced to raise fresh capital after financial losses kept piling up, and the company switched out senior management in bid to make a fresh start.

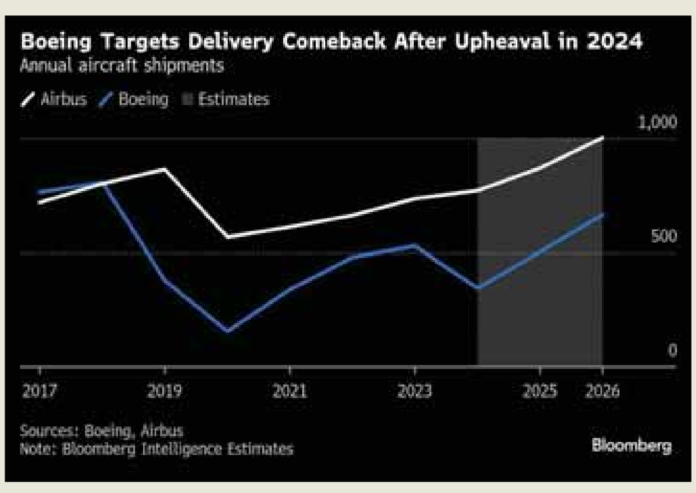
Boeing separately released a range of actions highlighting progress it's made in the past year, from better teamwork and more intense training to fewer flaws in the fuselages built by a key supplier.

Many of the steps listed are centred around collaboration and process improvements, highlighting how Boeing is trying to change work flows at its factories.

To ensure the planemaker is on the right track, the FAA has been meeting with Boeing weekly, holding monthly status reviews with company executives, and has increased the number of unannounced audits, Whitaker said.

Permanent change "will require sustained effort and commitment from Boeing, and unwavering scrutiny on our part," Whitaker said, pledging that "enhanced oversight is here to stay."

Follow-through at the FAA, however, will depend on his successor. Whitaker has announced that he plans to step down on January 20



when Donald Trump assumes the US presidency for a second time.

The shortcomings that forced wholesale changes at Boeing aren't new. For the better part of six years, the company has lurched from one crisis to the next, its path strewn with catastrophes: Two fatal crashes, breathtaking safety lapses and a workforce in open rebellion. Along the way, the company has racked up about $32bn in losses.

The drama hasn't let up since Boeing's new Chief Executive Officer Kelly Ortberg joined the company in August as part of a management shakeup.

Ortberg, 64, came out of retirement to take the helm at the planemaker. In his short tenure, the engineering veteran has faced challenges that would faze the most battle-hardened corporate leaders: A debilitating strike in September and a cash squeeze that required a $24bn infusion. The CEO told workers in November that his first weeks in office felt like an entire year.

The company needs to do less and do it better, managers need to gain a better hold on the operations and employees need to stop the finger-pointing and pull together if the company is to stand a chance against Airbus SE, its increasingly dominant European rival, Ortberg told staff in his first company-wide town hall meeting.

"He's really good at envisioning the future," said Clay Jones, who preceded Ortberg as CEO of Rockwell Collins Inc. and helped hone his management skills. "I would argue Boeing needs less of that right now because they're trying to make it through today."

Much rides on whether the company can demonstrate enough progress in the coming months for regulators to lift the cap on 737 production of 38 aircraft per month. The company is still pushing out planes well below the FAA-imposed limit, but that's expected to change over the course of this year.

It's unclear how Whitaker's departure might impact oversight of Boeing, creating uncertainty over how and when US regulators will allow the company to speed output of aircraft that generate the bulk of its revenue.

Bloomberg Intelligence analysts George Ferguson and Melissa Balzano predicted in a December 9 report that Boeing could lift aircraft deliveries by 45% to about 500 units in 2025.

Deliveries tumbled in 2024 because Boeing's factories were slowed to address quality shortfalls after the January blowout and were shut down for a two-month strike late in the year.

Several of the steps that Boeing laid out yesterday address concerns that employees have flagged to US lawmakers, the FAA and the National Transportation Safety Board, which is investigating last year's door plug blowout.

The company said it's fully implemented a new system in final assembly of its 737 and 787 aircraft that tracks and secures parts during the manufacturing process to prevent loss or improper use.

BUSINESS

Risk appetites dim in week of New Year's angst on Wall Street

Bloomberg
New York

The turning of the calendar is an occasion to look ahead. For Wall Street at New Year's, the verdict on the future is one of trepidation.

While spirits perked up on Friday, traders across asset classes spent much of the post-holiday period reining in the robust risk appetites that have ruled markets for much of 2024. Volatility measures crept up in Treasuries and corporate credit. They jumped in stocks, which posted the worst end-of-year slump on record. The largest exchange-traded fund tracking Bitcoin, darling of speculators globally, saw its worst-ever outflows.

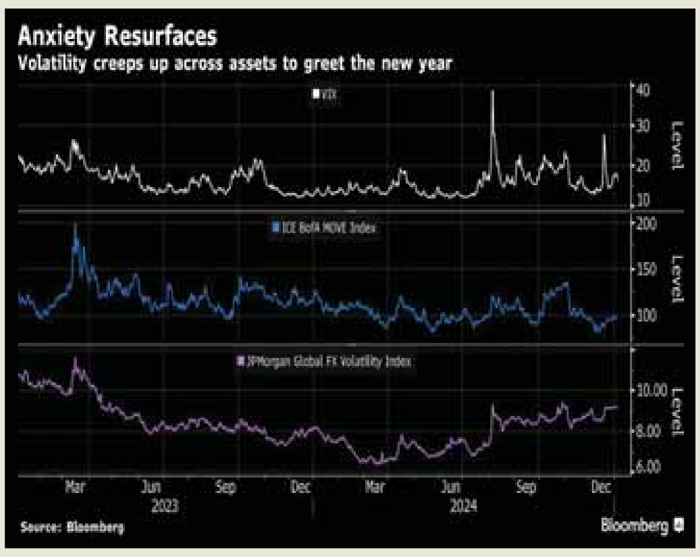
Nothing in markets implied panic. But the moves did signal a wariness that has been largely absent in the past 12 months, at least in risk assets where a booming economy and easing Federal Reserve policy have been a recipe for nearly straight-up gains.

Concern about Donald Trump's presidential policies and their impact on inflation awoke hedging markets and kept bonds unsettled after the biggest quarterly runup in 10-year Treasury yields in more than two years.

To contrarians who have watched months of rampant risk-taking on Wall Street, any newfound caution is seen as healthy — a brake on overheating. Still, the pullback in certain assets, equities in particular, defied a historic pattern where the S&P 500 has tended to rise in the sessions right after Christmas, highlighting the hazards of preset playbooks in the second Trump era.

"We were a little surprised to see the market so risk-off at the end of 2024, but it is possible that the market was getting a slight jump on 2025," said Chris Zaccarelli, chief investment officer at Northlight Asset Management. "It makes sense to us to take some risk off the table given the incoming administration is likely to make policy changes."

Ten-year Treasury yields held above the widely watched 4.5% level as traders braced for tariffs that could come as early as this month after Trump's inauguration, adding fresh risk to the Fed's inflation-fighting campaign. Bond vigilantes have also been sounding alarms that Trump's tax-cut agenda threatens to widen the fiscal deficit.



Signs of bullishness resurfaced on Friday, with the S&P 500 rising 1.3% as megacap tech stocks rallied and investors took relief from a swift re-election of the US House speaker. For the week, equities retreated, hovering near a low reached after the Fed's last policy meeting, when central bankers signalled fewer interest rate reductions for this year than previously forecast.

The spectre of policy uncertainty has put investors on edge, with demand for protection rising across assets.

The Cboe Volatility Index, a gauge of the cost of S&P 500 options, climbed for a third week in four. A similar measure for Treasuries, the ICE BofA Move Index, hit a one-month high while turbulence ticked up in high-yield bonds and currencies.

The low-level gloom is a departure from recent months, when raging gambling spirits sent Bitcoin above $100,000 and drove billions of dollars to leveraged ETFs.

Now, BlackRock Inc's iShares Bitcoin Trust ETF is seeing its longest streak of outflows, including a record withdrawal on Thursday, while short sellers are reloading wagers against some of the largest ETFs tracking corporate debt.

In equities, an indicator of exposure kept by the National Association of Active Investment Managers slipped for a third straight week, marking the biggest drop since April. Meanwhile, a Cboe measure of options trading showed that volume in bearish puts spiked to the highest level in almost four months relative to bullish calls.

The risk aversion, for now, is at odds with optimism among Wall Street strategists in a Bloomberg survey, whose consensus calls for another 12% gain in 2025 after the S&P 500 scored a two-year, 53% rally.

"The dominant market view is that equities will continue climbing a wall of worry, but we know the incoming US administration loves building tall walls.

In other words, the obstacles to keep delivering gains will get bigger," said Max Gokhman, senior vice president at Franklin Templeton Investment Solutions. "So while I'm not going out of consensus to be bearish, it's prudent to be careful and ready to tactically return to the sidelines."

Higher anxiety levels are visible across markets. Bank of America Corp.'s Global Financial Stress indicator — which measures market risk, hedging demand and investor flows — sat above where it was 12 months ago.

The Qatar Stock Exchange (QSE) index increased by 157.68 points or 1.51% during the shortened week due to year-end closure to close at 10,571.09. Market capitalisation went up by 0.9% to reach QR620.8bn from QR615.2bn at the end of the previous trading week.

Qatar International Islamic Bank (QIIK) was the best performing stock for the week, moving up 3.3%. Meanwhile, Qatar Cinema & Film Distribution Company (QCFS) was the worst performing stock for the week, moving down 6.0%.

Industries Qatar (IQCD), Qatar Islamic Bank (QIBK) and Nakilat (QGTS) were the main contributors to the weekly index rise. IQCD and QIBK added 29.23 and 25.82 points to the index, respectively. Further, QGTS put on another 14.89 points.

Traded value during the week dropped 49.1% to QR799.1mn mainly due to the shortened week, from QR1,570.5mn in the prior trading week. QNB Group (QNBK) was the top value traded stock during the week with total traded value of QR68.2mn.

Traded volume fell 50.2% to 263.6mn shares compared with 529.9mn shares in the prior trading week. The number of transactions slipped by 42.3% to 27,950 vs 48,467 in the prior week. Qatar Aluminium Manufacturing Company (QAMC) was the top volume traded stock during the week with total traded volume of 29.1mn shares.

Foreign institutions remained bearish, ending the week with net selling of QR26.2mn vs net selling of QR127.2mn in the prior week. Qatari institutions remained bullish with net buying of QR66.0mn vs net buying of QR34.3mn in the week before. Foreign retail investors ended the week with net selling of QR41.7mn vs net buying of QR48.7mn in the prior week. Qatari retail investors recorded net buying of QR2.0mn vs net buying of QR44.2mn the week before.

YTD, global foreign institutions were net sellers by $179.7mn, while GCC institutions were net sellers of Qatari stocks by $446.2mn.

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QNB FINANCIAL SERVICES

Weekly Market Report

Market Indicators	Week ended. Dec 31, 2024	Week ended. Dec 26, 2024	Chg. %
Value Traded (QR mn)	799.1	1,570.5	(49.1)
Exch. Market Cap. (QR mn)	620,857.9	615,199.9	0.9
Volume (mn)	263.6	529.9	(50.2)
Number of Transactions	27,950	48,467	(42.3)
Companies Traded	52	51	2.0
Market Breadth	25:27	10:39	-

Source: Qatar Exchange (QE)

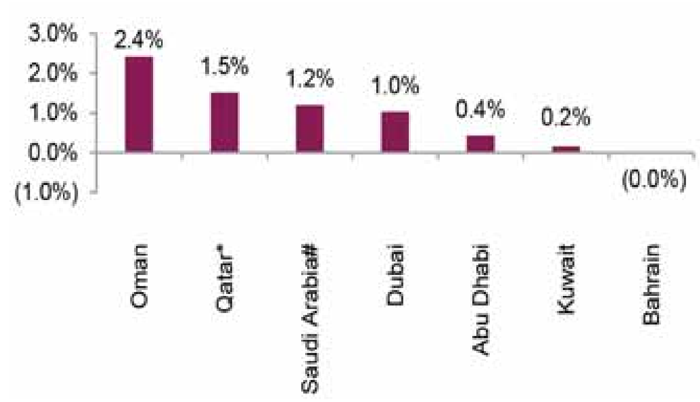
Market Indices	Close	WTD%	MTD%	YTD%
Total Return	24,107.63	1.5	1.5	3.7
ALL Share Index	3,775.48	1.3	1.3	4.0
Banks and Financial Services	4,735.93	1.6	2.1	3.4
Industrials	4,246.42	1.0	1.4	3.2
Transportation	5,164.69	2.6	0.2	20.5
Real Estate	1,616.41	(0.0)	(0.8)	7.7
Insurance	2,348.50	(0.6)	0.8	(10.8)
Telecoms	1,798.69	1.3	(2.0)	5.5
Consumer Goods & Services	7,666.76	0.3	0.9	1.2
Al Rayan Islamic Index	4,870.37	1.2	0.9	2.2

Source: Qatar Exchange (QE)

QSE Index and Volume

Source: Qatar Exchange (QE)

Weekly Index Performance



Source: Bloomberg

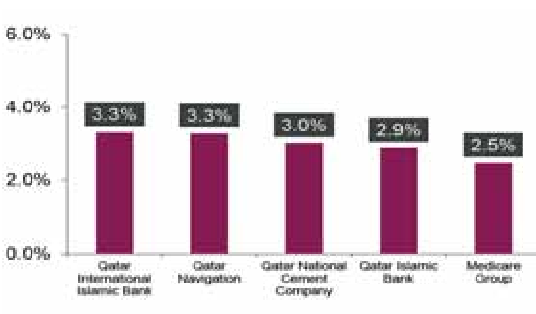
Regional Indices	Close	WTD%	MTD%	YTD%	Weekly Exchange Traded Value ($ mn)	Exchange Mkt. Cap. ($ mn)	TTM P/E**	P/B**	Dividend Yield
Qatar*	10,571.09	1.5	1.5	(2.4)	221.66	170,363.4	11.4	1.3	4.0
Dubai	5,158.67	1.0	6.5	27.2	220.08	245,669.0	9.9	1.5	4.7
Abu Dhabi	9,419.00	0.4	2.0	(1.7)	541.90	746,307.5	16.8	2.5	2.1
Saudi Arabia#	12,000.92	1.2	3.1	0.3	4,158.91	2,708,077.5	19.3	2.3	3.7
Kuwait	7,362.54	0.2	1.6	8.0	478.39	156,037.2	18.9	1.8	4.0
Oman	4,576.60	2.4	0.3	1.4	32.25	31,572.2	11.3	0.9	5.9
Bahrain	1,985.91	(0.0)	(2.3)	0.7	7.63	20,455.0	16.1	1.3	8.7

Source: Bloomberg, country exchanges and Zawya (** Trailing Twelve Months; * Value traded ($ mn) do not include special trades, if any; #Data as of December 30, 2024)

Source: Bloomberg

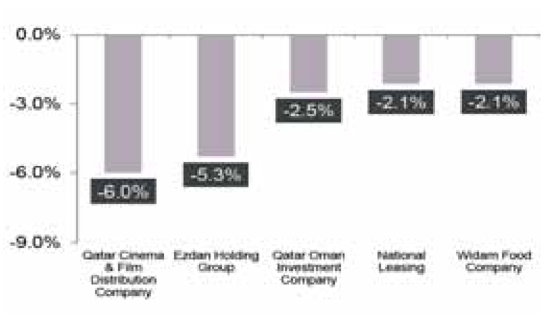
Qatar Stock Exchange

Top Five Gainers



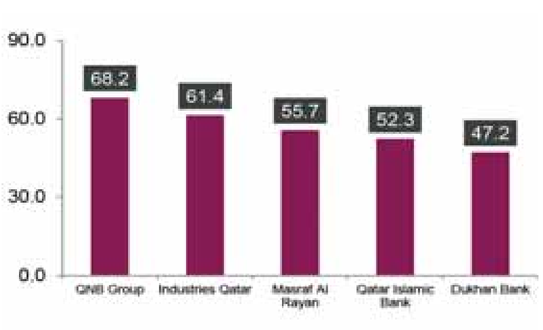
Source: Qatar Stock Exchange (QSE)

Top Five Decliners



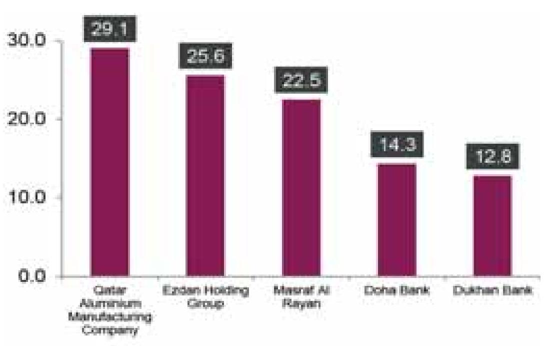
Source: Qatar Stock Exchange (QSE)

Most Active Shares by Value (QR Million)



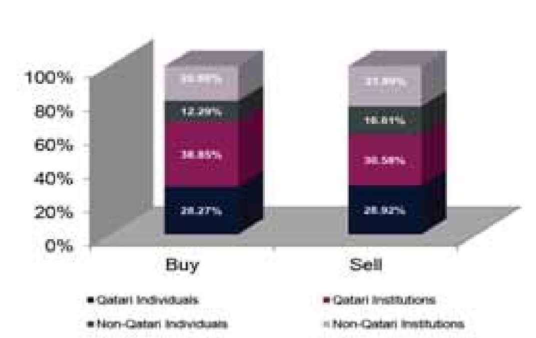
Source: Qatar Stock Exchange (QSE)

Most Active Shares by Volume (Million)



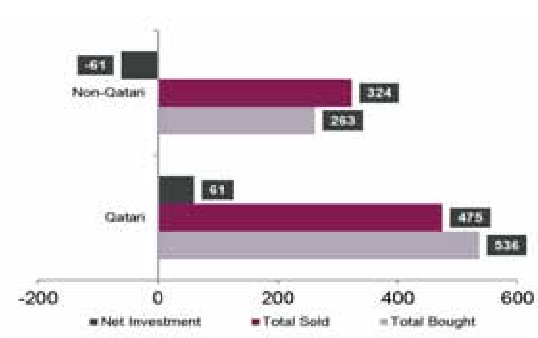
Source: Qatar Stock Exchange (QSE)

Investor Trading Percentage to Total Value Traded



Source: Qatar Stock Exchange (QSE)

Net Traded Value by Nationality (QR Million)



Source: Qatar Stock Exchange (QSE)

Company Name	Price December 31	% Change Weekly	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	17.29	1.17	4.60	159,698	10.5	1.7	3.8
Qatar Islamic Bank	21.36	2.89	(0.65)	50,472	11.7	1.9	2.3
Commercial Bank of Qatar	4.35	2.11	(29.84)	17,606	6.3	0.9	5.7
Doha Bank	1.99	1.12	8.80	6,173	7.8	0.6	3.8
Al Ahli Bank	3.45	0.29	(4.75)	8,801	10.7	1.2	7.2
Qatar International Islamic Bank	10.90	3.32	1.96	16,499	15.8	2.2	4.2
Masraf Al Rayan	2.46	(0.73)	(7.23)	22,906	15.7	1.0	4.1
Lesha Bank	1.35	(0.51)	2.34	1,516	11.5	1.1	N/A
National Leasing	0.78	(2.13)	7.00	386	22.4	0.6	3.8
Dlala Holding	1.15	1.41	(12.95)	219	36.4	1.2	N/A
Qatar & Oman Investment	0.70	(2.50)	(26.18)	221	N/A	1.0	N/A
Islamic Holding Group	3.79	(0.42)	(8.73)	214	12.4	1.3	1.3
Dukhan Bank	3.70	(0.14)	(7.04)	19,340	15.6	1.5	4.3
Banking and Financial Services				**304,052**			
Zad Holding	14.17	1.14	4.96	4,073	20.6	3.0	4.6
Qatar German Co. for Medical Devices	1.37	(0.29)	(5.58)	158	469.3	4.5	N/A
Salam International Investment	0.66	(0.75)	(3.37)	754	12.4	0.5	4.5
Baladna	1.32	(0.60)	7.60	2,504	13.6	1.1	5.3
Medicare Group	4.55	2.48	(17.11)	1,281	15.0	1.3	4.8
Qatar Cinema & Film Distribution	2.40	(5.99)	(17.24)	151	33.6	1.1	2.9
Qatar Fuel	15.00	0.20	(9.53)	14,914	14.3	1.7	5.3
Widam Food	2.35	(2.13)	(0.47)	423	22.6	2.8	N/A
Mannai Corp.	3.64	(0.63)	(13.40)	1,660	N/A	1.8	6.9
Al Meera Consumer Goods	14.52	0.69	5.29	2,991	16.2	1.9	5.9
Mekdam Holding Group	3.59	2.34	(10.55)	592	13.2	2.2	N/A
Meeza QSTP	3.28	0.46	14.15	2,125	37.8	3.0	2.5
Al Faleh Education Holding	0.70	(1.28)	(17.95)	167	13.4	0.6	2.7
Consumer Goods and Services				**31,792**			
Qatar Industrial Manufacturing	2.51	0.36	(16.30)	1,193	8.9	0.6	5.2
Qatar National Cement	4.02	3.02	1.82	2,627	14.3	0.9	7.5
Industries Qatar	13.27	2.08	1.45	80,284	15.0	2.2	4.7
Qatari Investors Group	1.54	(0.90)	(6.39)	1,912	10.5	0.6	9.8
Qatar Electricity and Water	15.70	(0.38)	(16.49)	17,270	10.5	1.2	3.2
Aamal	0.85	(0.70)	1.07	5,380	13.3	0.7	N/A
Gulf International Services	3.33	(0.03)	20.62	6,185	10.7	1.5	4.5
Mesaieed Petrochemical Holding	1.50	0.07	(16.39)	18,782	23.6	1.2	3.6
Estithmar Holding	1.86	(0.53)	(11.03)	6,345	16.6	1.2	N/A
Qatar Aluminum Manufacturing	1.21	(0.98)	(13.43)	6,763	13.0	1.0	5.0
Industrials				**146,741**			
Qatar Insurance	2.12	(0.84)	(18.03)	6,934	12.8	1.1	4.7
QLM Life & Medical Insurance	2.07	(0.72)	(17.37)	723	9.1	1.1	6.1
Doha Insurance	2.50	(1.81)	4.60	1,250	7.7	1.0	7.0
Qatar General Insurance & Reinsurance	1.15	0.09	(21.56)	1,009	N/A	0.3	N/A
Al Khaleej Takaful Insurance	2.39	(1.04)	(19.56)	610	8.4	1.0	5.0
Qatar Islamic Insurance	8.68	1.64	(2.52)	1,301	8.5	2.3	5.8
Damaan Islamic Insurance Company	3.95	1.67	(0.85)	791	10.0	1.5	4.6
Insurance				**12,618**			
United Development	1.12	1.63	5.45	3,976	9.7	0.4	4.9
Barwa Real Estate	2.83	0.46	(2.21)	11,012	8.9	0.5	6.4
Ezdan Real Estate	1.06	(5.29)	23.08	28,010	332.9	0.8	N/A
Mazaya Qatar Real Estate Development	0.58	(0.34)	(19.23)	584	N/A	0.6	4.3
Real Estate				**43,583**			
Ooredoo	11.55	1.94	1.32	36,997	11.3	1.3	4.8
Vodafone Qatar	1.83	(0.97)	(4.04)	7,735	13.2	1.6	6.0
Telecoms				**44,732**			
Qatar Navigation (Milaha)	10.99	3.29	13.30	12,486	11.6	0.7	3.4
Gulf Warehousing	3.37	(0.53)	7.60	197	10.2	0.8	3.3
Qatar Gas Transport (Nakilat)	4.15	2.29	17.87	22,987	14.0	2.0	3.4
Transportation				**35,670**			
Qatar Exchange				**620,858**			

Source: Bloomberg

Technical analysis of the QSE index

Source: Bloomberg

The QSE index ended the week higher by 1.5% from the previous week on lower volumes; it was the last week of the year. The index closed at 10,571.09. The index remains inside the broader flat price-range. The weekly resistance level remains around the 10,850 points level and the support at 10,000 points.

Definitions of key terms used in technical analysis

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

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

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

WEEKLY ENERGY MARKET REVIEW

Oil prices rise on colder weather, Chinese policy support

www.abhafoundation.org

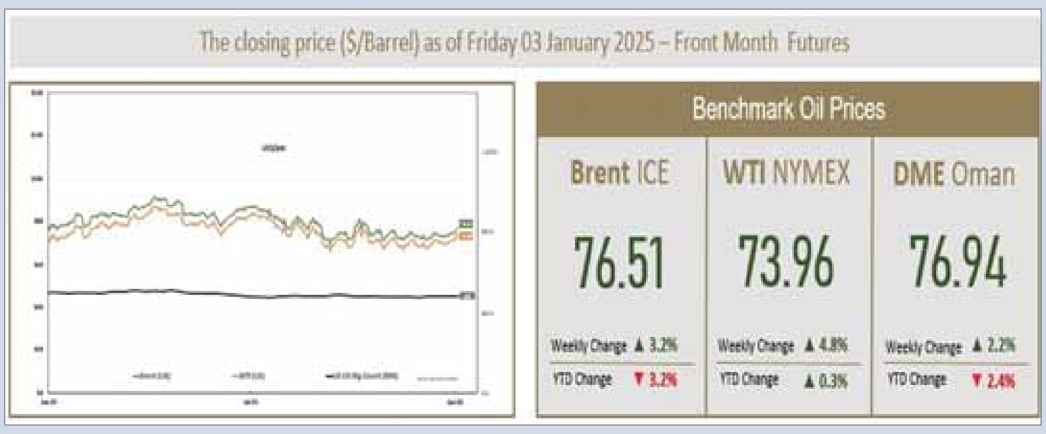
Oil

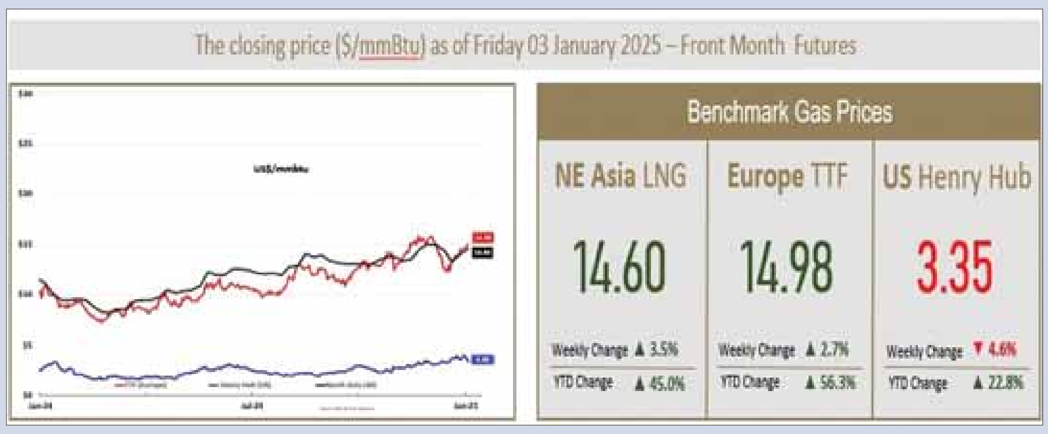
Oil prices rose on Friday, closing the week higher on the back of cold weather in Europe and the US as well as additional economic stimulus flagged by China. Brent crude futures settled 58 cents, or 0.8%, higher at $76.51 a barrel, the highest level since October 14. US West Texas Intermediate crude closed 83 cents, or 1.13%, to $73.96, the highest level since October 11. Brent notched a 2.4% weekly gain, while WTI climbed nearly 5%. Signs of Chinese economic fragility heightened expectations of policy measures to boost growth in the world's top oil importer.

Worries about Chinese demand were a factor in bearish demand assumptions last year, analysts said. China announced a couple of new measures to boost growth last week with a surprise move to raise wages for government workers and the announcement of a sharp increase in funding from ultra-long treasury bonds. The additional funding is to be used to spur business investment and consumer-boosting initiatives.

Oil is likely to have gained some price support from expected increased demand for heating oil after forecasts for colder weather in some regions. Also supporting prices, US oil rig count, an indicator of future output, fell one to 482 last week according to Baker Hughes.

China's flag seen on screen with stocks and finance graphs in the background. Oil prices rose on Friday, closing the week higher on the back of cold weather in Europe and the US as well as additional economic stimulus flagged by China. *Picture supplied by the Abdullah bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development.*





US crude stockpiles dropped by 1.2mn barrels to 415.6mn barrels last week, EIA data showed. Holding back prices however, the dollar was on track for its best week in about two months.

Gas

Asian spot liquefied natural gas (LNG) prices rose last week to a one-month peak, as the expiry of a transit deal for Russian gas through Ukraine caused uncertainty in Europe's gas outlook. The average LNG price for February delivery into Northeast Asia LNG-AS was $14.60 per million British thermal units (mmBtu), industry sources estimated. Ukraine had allowed Russia to keep pumping gas across its territory despite nearly three years of war, but Kyiv refused to renew a five-year deal that expired on New Year's Day. While this risk was predictable, the European gas balance remains uncertain in the first quarter. A key concern is the relatively high withdrawals from European gas inventories, which are currently 16% lower year-over-year due to stronger gas demand, analysts said. The suspension of the Russian gas flow via Ukraine could result in a net loss for the European market, necessitating higher LNG imports to balance the market in 2025.

Gains in Northwest European delivered prices have outpaced Asia's price gains, supported by the end of the Russia-Ukraine gas transit deal, downward revisions to minimum temperature forecasts and an unplanned outage at Norway's Hammerfest export terminal. European prices closing above Asian prices has also prompted most west African cargoes to head to Europe instead of Asia. In the US, gas price declined 8% to a two-week low Friday due to smaller storage draw and milder weather forecasts.

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

Eurozone inflation points to Lagarde's unfinished policy task for 2025

Bloomberg
Frankfurt

Faster eurozone inflation in data due next week is likely to remind policymakers that while their 2% goal might now be in sight, it's not yet within reach.

Consumer prices probably rose 2.4% in December from a year earlier, up slightly from the previous month's result. The underlying gauge that strips out energy and other volatile items probably stayed at 2.7%, according to economists.

Such an outcome, stoked by fuel costs, will underscore the challenge still faced by European Central Bank (ECB) President Christine Lagarde and her colleagues at the dawn of a new year. She heralded January with remarks expressing her hope that inflation will get to the goal at some point in 2025.

The ECB's own projections show the fourth quarter as the moment when 2% may be achieved. Resurgent gas prices in recent days are just one of the elements of a shifting backdrop that could endanger that outlook, while threatened US trade tariffs might further cloud the horizon.

"We have made significant progress in 2024 in bringing down inflation and hopefully 2025 is the year when we are on target as expected and as planned in our strategy," Lagarde said in a video posted on X on Wednesday. "Of course we will continue our efforts to ensure that inflation stabilises sustainably at that 2% medium-term target." "The big picture remains one of generalised disinflation which will allow the Governing Council to keep cutting this year — we expect 100 basis points of easing," says Jamie Rush, chief European economist at Bloomberg.

Christine Lagarde, president of the European Central Bank.

The eurozone data will be published on Tuesday, concurrent with numbers from Italy, after releases in France and Germany during the preceding 24 hours.

All three of those national outcomes are anticipated by economists to show acceleration, just as Spain's reading did in a report at the end of December.

In the past week, Bank of Greece Governor Yannis Stournaras predicted that the ECB will have cut 100 basis points off its deposit rate by the fall of 2025. Economists and investors see a similar path for borrowing costs.

By contrast, his Austrian colleague, Robert Holzmann, said that policymakers could consider waiting before delivering their next cut.

"Some energy prices are trending upwards again," he told the Kurier newspaper. "But there are also other scenarios for how inflation could return, such as a stronger depreciation of the euro.

The European Central Bank's 2% inflation target is in sight, according to President Christine Lagarde.

"We have made significant progress in 2024 in bringing down inflation and hopefully 2025 is the year when we are on target as expected and as planned in our strategy," she said in a video posted on X on Wednesday. "Of course we will continue our efforts to ensure that inflation stabilises sustainably at that 2% medium-term target."

Euro-area consumer-price growth decelerated over the course of last year and went below the ECB's target in September, though it has ticked up again in recent months and Lagarde has warned that it will fluctuate around its current level in the near term.

Still, that slowdown allowed policymakers to cut interest rates in four quarter-point moves and economists predict another four reductions through June.

Ned Davis warns it may cut exposure to US equities after sell-off

Bloomberg
New York

Ned Davis Research has kept a bullish recommendation towards US equities for more than a year, but that may change soon if the weakness seen over the past month persists.

Tim Hayes, the firm's chief global investment strategist who correctly called the current bull run in US stocks, is closely monitoring whether Ned Davis's Stock/Bond Composite extends its recent decline. Traders use this key indicator to assess the direction of equities, and it's been sinking as markets are coming to grips with the already-slim chances of the Federal Reserve lowering borrowing costs again soon.

If the gauge drops into bearish territory below 40%, from the current reading around 60%, that would break an uptrend that began when equities bottomed in October 2022. In that scenario, it would suggest a decisive negative turn for stocks that would lead the firm to trim the weighting of domestic stocks in its recommended portfolio, he said. The current allocation has been at 70%, the maximum, since December 2023.

"If the weakness persists along with increasingly bearish indicator evidence, we will be likely to cut our equity exposure from the maximum overweight allocation maintained throughout 2024," Hayes wrote in a note to clients on Thursday.

On Friday, the S&P 500 Index was on pace to snap five straight sessions of losses — its longest losing streak since April. The benchmark is coming off a 2.5% slide in December, its worst since April, pulling back from the record closing high it set early last month.

The firm's Stock/Bond Composite measures things such as relative performance between assets to assess the prospects for equities. Roughly half of its weight is based on technical indicators, and the other half is based on factors such as the macroeconomy.

Since the bull run in US stocks began over two years ago, the composite has trended upward, with higher highs and higher lows.

The gauge is currently sitting at a crucial inflection point that could turn the tide for stocks in the short-run. That's why Hayes is watching for whether there is a slowdown in the pace of earnings growth, a further contraction in manufacturing activity and whether technology and consumer discretionary shares in the ACWI Growth Index break their uptrends.

Other analysts are also sounding concern over the technology rally, which came to a halt last month.

Slowing profits "may surprise some of the die-hards who are betting on these very high double-digit earnings numbers," Lisa Shalett, chief investment officer for Morgan Stanley's wealth management unit, said on Thursday in an interview on Bloomberg Television.

Ned Davis' Hayes still sees potential for equities to gain. Last year's 23% advance in the MSCI US Index is consistent with the bullish trend over the course of the secular bull market, he said.

In fact, several conditions are currently conducive to supporting the rally. For one thing, he said the market is oversold based on certain short-term metrics he follows. The stock market is also entering a period of historical strength. It tends to gain in the first half of January due to increased investment activity and positive sentiment in the new year, according to data compiled by Goldman Sachs Group Inc.

Still, a failure for equities to rebound in the coming weeks from December's slide would be telling, Hayes said. The month's performance wasn't consistent with the secular bull market, he said.

Threat of tariffs will loom large amid auto, tech glitz at CES

Reuters
San Francisco

Auto and tech giants showing off their latest innovations at the CES trade show in Las Vegas next week can expect a barrage of questions on a topic that is usually not central to the consumer-focused event: Tariffs.

The gathering is one of the largest of manufacturers, analysts and suppliers in the US and comes days before the inauguration of President-elect Donald Trump, who has pledged big tariffs on imports from Canada, Mexico, China and other US trading partners.

This has sparked concerns about spiralling costs for businesses as well as consumers.

"This will be a hot topic," said strategy consultant Deborah Weinswig, CEO of Coresight Research, who said the proposed tariffs have come up in almost every conversation she has had with clients ahead of CES. "This is going to be something that definitely senior leadership is going to have to address." CES 2025, formerly known as the Consumer Electronics Show, runs January 7-10 and is expected to debut products ranging from new automotive technology to quirky gadgets, as well as showing new ways to use artificial intelligence.

Among the highlights this year is a keynote speech from AI chip giant Nvidia's celebrity CEO, Jensen Huang. While AI will still be the buzzword on the show floor, the issue of tariffs will be top-of-mind in policy sessions, press conferences and on the sidelines. Companies may be asked about changing suppliers and moving production to the US to mitigate supply-chain disruptions — moves that take time and are expensive, analysts have said.

Honda, for instance, sends 80% of its Mexican output to the US market.

It has warned it would have to think about shifting production if the US were to impose permanent tariffs on vehicles imported from the country.

Nearly half of new cars sold in the US as well as a significant share of parts on the rest are made elsewhere, according to estimates from Edmunds.

European and American carmakers could lose up to 17% of their combined annual core profits if the US imposes import tariffs on Europe, Mexico and Canada, according to an S&P Global report.

In addition to tariffs, Trump has said he plans to begin rescinding policies meant to promote the adoption of EVs.

Many suppliers, already struggling because of weaker than expected EV demand, are operating on "razor-thin" margins and will have to radically adapt their cost structure this year in the face of potential tariffs, said Felix Stellmaszek, global leader of the automotive and mobility sector at Boston Consulting Group.

"Add to this supply-chain uncertainties and labour shortages and it's clear that many suppliers are in dire straits," he said. "The scenario planning is in hyper mode." Between responding to potential tariffs, automakers and their suppliers — including Honda, Toyota, Bosch, and Continental — are expected to provide updates on their race to develop cars with software-driven enhancements, self-driving technology and AI that makes vehicles easier and safer to drive.

Among the speakers will be Delta Air Lines CEO Ed Bastian, Volvo Group CEO Martin Lundstedt, Panasonic CEO Yuki Kusumi, and X Corp CEO Linda Yaccarino.

Every industry is likely to face questions about tariffs.

"'How are companies going to work together from a supply-chain perspective?" said consultant Weinswig. "How are we going to mitigate rising costs? Can technology solve this? There's still so much that's not known, we've seen that everyone's trying to figure out every possible scenario."