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GULF TIMES
BUSINESS

SELLING PRESSURE : Page 8

US rate concerns drag QSE 185 points; M-cap erodes QR10.18bn

QBA hosts Minister of Commerce and Industry; discusses initiatives of Qatar business community

Qatari Businessmen Association (QBA) received HE the Minister of Commerce and Industry, Sheikh Faisal bin Thani bin Faisal al-Thani, and HE the Minister of State for Foreign Trade Affairs, Dr Ahmed bin Mohamed al-Sayed, at the association headquarters here yesterday.

"The visit was aimed at enhancing communication with the Qatari business community and entrepreneurs, listen to their views, and discuss with them the ministry's initiatives dedicated to serving and developing the national economy," a QBA statement said.

The two dignitaries were received by HE Sheikh Faisal bin Qassim al-Thani, QBA Chairman; and Hussain Ibrahim Alfardan, First Deputy Chairman; along with QBA board members, Sheikh Hamad bin Faisal al-Thani, Sheikh Nawaf bin Nasser al-Thani, Sherida al-Kaabi and Saud al-Mana. The meeting was attended by QBA members, Sheikh Mansour bin Jassim al-Thani, Khalid al-Mannai, Salah al-Jaidah, Moataz al-Khayyat, Ibrahim al-Jaidah, Ashraf Abu Issa, Abdul Salam Issa Abu Issa, Faisal al-Mannai, Abdullah al-Kubaisi, Maqbool Habib Khalfan, Rashid al-Mansouri, Mohammed Althaf, Ihsan al-Khiyami and Abdulrazzaq al-Kuwari.

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HE Sheikh Faisal bin Qassim al-Thani presents QBA's "honorary shield" to HE the Minister of Commerce and Industry, Sheikh Faisal bin Thani bin Faisal al-Thani, and HE the Minister of State for Foreign Trade Affairs, Dr Ahmed bin Mohamed al-Sayed.

QNB Group's total assets (as on December 31, 2024) reached QR1,298bn ($357bn), an increase of 5% from previous year, mainly driven by growth in loans and advances by 7% to reach QR911bn ($250bn)

QNB Group 2024 net profit scales up 8% to QR16.7bn

■ Board of Directors recommends cash dividend of 37% of nominal share value (QR0.37 per share) for H2-2024

QNB Group posted a net profit of QR16.7bn ($4.6bn) in 2024, up 8% on the previous year.

Operating income grew by 6% to reach QR41.5bn ($11.4bn), reflecting a successful growth across a range of revenue sources.

QNB Group's total assets (as on December 31, 2024) reached QR1,298bn ($357bn), an increase of 5% from previous year, mainly driven by growth in loans and advances by 7% to reach QR911bn ($250bn).

Customer deposits increased by 3% to reach QR887bn ($244bn) from previous year, due to successful diversification of deposit generation.

QNB Group's efficiency (cost to income) ratio stood at 22.3%, "which is considered one of the best ratios" among large financial institutions in the MEA region.

As on December 31, 2024, QNB Group had one of the lowest non-performing loans ratio of 2.8% with a loan loss coverage ratio of 100%, reflecting the high quality of the Group's loan book and the effective management of credit risk.

In addition, loan loss charge for the year that ended on December 31, 2024, decreased to QR8.1bn ($2.2bn), representing a decrease of 6% compared to previous year.

Total equity increased to QR114bn ($31bn), up 3% on the previous year. Earnings per share reached QR1.69 ($0.46).

QNB Group's Capital Adequacy Ratio (CAR) as on December 31, 2024 amounted to 19.2%.

Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as on December 31, 2024 amounted to 179% and 101% respectively. These ratios are higher than the regulatory minimum requirements of the Qatar Central Bank and Basel III reforms requirements.

Meanwhile, QNB Group's Board of Directors, at their meeting held yesterday, approved its results for the year that ended on December 31, 2024.

The Board has recommended to the General Assembly the distribution of a cash dividend of 37% of the nominal share value (QR0.37 per share) for the second half of the year, which ended on December 31, 2024, after taking into account the record net profit reported by QNB Group for the financial year 2024.

The total dividend distribution for the year ended on December 31, 2024 amounts to 70% of the nominal share value (QR0.70 per share).

The annual financial results for 2024 along with the proposed profit distribution are subject to QCB approval and the General Assembly.

QNB Group is one of the largest financial institution in the Middle East and Africa (MEA) region. It is actively present in some 28 countries across three continents operating from approximately 900 locations, over 5,000 ATMs, and supported by more than 31,000 staff members.

IPO momentum in GCC to continue in 2025: S&P

By Santhosh V Perumal
Business Reporter

The IPO (initial public offering) momentum in the Gulf Co-operation Council (GCC) is expected to extend into 2025 as regional governments pursue part-privatisation to bolster state revenues and diversify regional bourses, according to S&P Global Market Intelligence.

The GCC is set to see another strong year of listings after raising nearly $13bn in 2024, its second-best year since the Covid-19 pandemic, driven by a surge in late-year flotations, it said in a latest report.

"The six-country bloc's significance to global IPO investors will continue in 2025 as regional governments pursue part-privatisation programmes to bolster state revenues, diversify regional stock markets, and potentially increase their representation in emerging or frontier market equity indexes," the report said.

The IPOs in the GCC raised $12.88bn in 2024, accounting for 10.5% of total global IPO fundraising during the period, S&P Global Market Intelligence data showed.

In comparison, the GCC IPOs totalled $11.02bn, or 9.1% of the global total, in 2023 and $23.54bn, or 13% of the global total in 2022.

Overall, the GCC had a total of 52 IPOs in 2024. The Saudi Stock Exchange led the way with 40 IPOs, followed by the Abu Dhabi Securities Exchange with four, Dubai Financial Market with three and Muscat Securities Market with two.

"The Gulf governments are prioritising the flotation of stakes in state-run companies to reduce their involvement in free market economies," Tarek Fadlallah, chief executive officer of Nomura Asset Management Middle East, was quoted in the report.

Food delivery company Talabat, a subsidiary of Germany's Delivery Hero, completed the GCC's biggest IPO of 2024, selling 20% of its stock for $2.03bn.

OQ Exploration and Production (OQEP), a unit of Omani state oil company OQ, sold 25% of its shares for $1.99bn. Abu Dhabi retailer Lulu Retail Holdings conducted the Gulf's third-largest IPO of 2024, raising $1.72bn.

The report said equity issuance in the GCC also increased in 2024, both in terms of the number of transactions and the total amount raised. There were 64 equity capital offerings in 2024, raising nearly $28bn versus 59 transactions with combined proceeds of $12.39bn a year ago.

Akber Khan, acting chief executive officer of Al Rayan Investment, said the Gulf IPO activity in 2025 will likely mirror 2024 in that Saudi Arabia and the UAE dominate, with some activity in Oman, Qatar and Kuwait.

On the other hand, the GCC debt capital offerings totalled $25.23bn in 2024, up from $14.24bn in 2023, the highest annual regional total since at least 2019, according to Market Intelligence data.

The Gulf bond and sukuk issuance in 2024 is projected at about $140bn, a record total, of which 35-40% was issued to refinance existing debt, 30-40% to help various Gulf governments meet budget shortfalls, and the remainder was issued by banks and corporations, according to Abdul Kadir Hussain, head of fixed income at Arqaam Capital.


The Qatari Businessmen Association received HE the Minister of Commerce and Industry, Sheikh Faisal bin Thani bin Faisal al-Thani, and HE the Minister of State for Foreign Trade Affairs, Dr Ahmed bin Mohamed al-Sayed, at the association's headquarters in Doha yesterday. The two dignitaries were received by HE Sheikh Faisal bin Qassim al-Thani, QBA Chairman; and Hussain Ibrahim Alfardan, First Deputy Chairman; along with QBA Board Members, Sheikh Hamad bin Faisal al-Thani, Sheikh Nawaf bin Nasser al-Thani, Sherida al-Kaabi and Saud al-Mana.

QBA hosts Minister of Commerce and Industry; discusses Qatari business initiatives

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The meeting was also attended by HE Mohammed Hassan al-Malki, Undersecretary of the Ministry of Commerce and Industry; HE Saleh Majid al-Khulaifi, Assistant Undersecretary for Industry and Business Development Affairs; HE Ayedh Munahi al-Qahtani, Assistant Undersecretary for Trade Affairs; Sultan bin Ali al-Falasi, Office Manager of the Minister of Commerce; and Sarah Abdallah, QBA Deputy GM.

QBA chairman and members expressed their appreciation to the minister for this initiative and emphasised the "importance of close collaboration" between the public and private sectors in serving the national economy.

They highly praised the effective economic initiatives, including policies, legislation, and diverse projects, implemented under the guidance of His Highness the Amir Sheikh Tamim bin Hamad al-Thani. These initiatives aim to empower national institutions and encourage entrepreneurs to engage in the industrial sector.

QBA members also congratulated HE the Minister of Commerce and Industry on the launch of the Ministry of Commerce and Industry Strategy and Qatar National Manufacturing Strategy 2024-2030.

The minister expressed his happiness to the chairman and members of the QBA for their warm welcome. He praised the association's prominent role and the business community's efforts in promoting Qatar as a regional investment hub and attracting investors and expertise through various economic activities such as conferences and workshops.

He also praised QBA's initiatives to strengthen collaboration with economic institutions and business associations worldwide, as well as its organisation of delegations led by Qatari business leaders to international markets. These efforts contribute to raising awareness of the Qatari market and opening new opportunities for co-operation with global markets.

HE Sheikh Faisal said his "ministry places great importance on supporting the private sector as a key partner in achieving sustainable economic development".

He pointed out that Qatari institutions and companies have gained global competitiveness and are present in major international markets through successful investments that have contributed to the development of the national economy and the transfer of expertise and knowledge to the local market.

QBA members shared several economic ideas and aspirations with the minister, all aimed at enhancing the role of Qatar's private sector and facilitating its operations.

Several joint initiatives were discussed, through which economic initiatives will be examined. These initiatives will focus on facilitating joint collaboration to support the implementation of the ministry's programmes and initiatives and ensure they are communicated effectively to the business community.

During their discussions, business leaders expressed concerns related to the private sector across various areas, including investment facilitation, financing, and legislative procedures.

QBA Chairman HE Sheikh Faisal pointed out that the private sector has become the "fundamental pillar" of national economies worldwide. He emphasised that Qatar's Third National Strategy reinforces this concept by granting a more significant role to the Qatari private sector in the local economy.

QBA First Deputy Chairman Hussein Ibrahim Alfardan highlighted the significant progress made by the Ministry of Commerce and Industry in recent years, highlighting the minister's initiative to meet with the business community, noting that it will contribute to enhancing effective communication in a collaborative manner

QBA Board Member Sheikh Hamad bin Faisal al-Thani emphasised that the association is a "national supporter of the state and the Ministry of Commerce and Industry".

QBA Board Member Sheikh Nawaf Nasser bin Khaled al-Thani, highlighted the success of the Obstacle Resolution Committee, established between the private sector and the Ministry, in resolving several outstanding issues. He also emphasised the importance of forming a joint committee with the Prime Minister's Office in the near future, as such a committee would play a significant role in facilitating business operations and addressing challenges faced by both local and foreign investors.

QBA Board Member Saud al-Mana addressed the issue of industrial land, opening factories, and the Ministry's role in attracting foreign investors.

Moataz al-Khayyat addressed challenges in the construction sector, which has faced significant difficulties over the past five years due to the Covid-19 pandemic, rising global shipping costs, and increased fuel prices. An agreement was reached to hold a dedicated meeting to find appropriate solutions for this vital sector.

Several other QBA members also discussed topics such as e-commerce, trade exhibitions, and protecting local products.

Dubai's property rally shows signs of strain

Bloomberg
Dubai

Shiny new towers and villa communities will again spring up in Dubai this year as developers pile into one of the world's biggest property booms. Yet there are growing signs that the record rally in prices is slowing.

Every week, builders are breaking ground on homes they say are selling out within days or even hours. But some, including Dubai's largest developer Emaar Properties PJSC, are starting to see the need for more caution. The emirate's property boom has already continued for several years, its longest rally since homeownership was first opened to foreigners in 2002.

"Our expectations are the market will still do well next year here and globally. There is a positive sentiment for business especially with Trump coming in," Emaar's founder and Managing Director Mohamed Alabbar said in December.

But Emaar is now growing more wary of raising prices too much because it could "kill the golden goose," Alabbar said.

Dubai would need to keep attracting new residents to fill the homes being built. It also needs to provide affordable housing to avoid pushing expats out of the city at a time many are grappling with the global surge in inflation and rising costs of living.

Already, nearly a fifth of Dubai's homes are valued above $1mn, according to the property firm Knight Frank. It predicts that residential prices will rise an average 8% in 2025, moderating from the eye-popping 20% jump of the previous year.

Meanwhile, Dubai's prime home prices will rise 5% this year, the firm predicts, topping London's 2% and New York's 3%.

Emaar – best known for building the world's tallest tower — is set to complete 6,000 to 7,000 homes a year by the peak of 2026 and 2027, according to Bloomberg Intelligence.

But Dubai's rally is leaving many questioning the sustainability of a market where much of the new supply is sold via instalments ahead of construction. It's a strategy that comes with risks because some buyers may not complete payments.

The strength of the US dollar, to which the United Arab Emirates has pegged its currency, also makes local property more expensive for many overseas buyers.

An influx of new residents including wealthy investors, crypto millionaires and rich Indians seeking second homes has helped drive up demand. Dubai's population stood at 3.8mn in 2024, up from 3.66mn in 2023. Rents have also surged, pricing out many from their homes and helping drive residents into outskirts developments on the edge of the desert.

"The demand is still there but sales have definitely hit a ceiling," said Yasin Valimull, chief executive officer at property broker The Luxury Address, who specialises in high end sales.

Brokers say sales are starting to slow especially in the off-plan market. Buyers of such homes purchased ahead of construction are having to reduce prices to sell before completion, with the median price falling down to 1,600 dirhams ($436) a square foot from 1,700 dirhams in 2023, according to data by the researcher REIDIN.

For developers, the good times are rolling on for now. SOHO, a developer, has managed to sell 84 out of 110 apartments in one of its towers.

"Real estate is a cyclical business and this cycle has got legs," said Sahil Khosla, CEO of SOHO, said in a recent interview. "The city and the country have got their act together, where they offering the golden visas. They're attracting businesses, they're attracting international funds to move here."

Khosla said his payment plans are geared toward end users who can pay half during construction and half after completion, when buyers can lineup mortgages.

"Still, we're so cautious and we're very strategic," Sahil Khosla said. "We're very slowly developing."

Meanwhile, Imran Farooq, chairman of Samana, said his company had record monthly sales in September. That came after an exceptionally strong performance in July, which is typically a slow month for the developer, which is one of the biggest providers of homes below 1mn dirhams.

Emaar is among the best barometers for the health of the market. Its profit in 2025 is likely to hit 13bn dirhams as many developments under construction are completed, according to analyst estimates compiled by Bloomberg. That's a surge from profits of about 3.8bn dirhams in 2021.

Residential villas in the Jumeirah Village Circle district of Dubai. The emirate's property boom has already continued for several years, its longest rally since home ownership was first opened to foreigners in 2002.

Abu Dhabi sovereign fund ADQ plans to launch takeover of courier firm Aramex

Reuters
Dubai

Abu Dhabi sovereign wealth fund ADQ plans to launch a cash takeover offer for Aramex, bidding for the shares it does not already own in the Dubai-listed courier firm, according to a bourse filing yesterday.

The offer will be launched through ADQ's unit Q Logistics Holding at a price of 3 dirhams ($0.8168) per share, a premium of 33% compared to Aramex's closing price on Thursday.

Aramex provides logistics and transportation services including domestic and international express delivery via road, air and sea, with operations in over 65 countries, according to its website.

ADQ was established in 2018 and has a broad portfolio of assets. It has invested heavily in transport and logistics as Abu Dhabi, which holds more than 90% of the UAE' oil reserves, speeds up efforts to diversify its economy. The fund had $225bn in assets under management at the end of June, according to a document seen by Reuters, and holds majority stakes in hub carrier Etihad Airways and Abu Dhabi Ports, which already owns a 22.7% stake in Aramex.

Q Logistics Holding said in a statement on Monday it believed that Aramex "has potential to play a central role" to help ADQ achieve objectives for the wider local economy.

It added, however, that the firm's recent results and financial performance required a "strategic and operational transformation", which it expected to be "complex, capital intensive and to take time". As of Monday, "there are no arrangements entered into between Q Logistics Holding and Aramex", ADQ's unit said in the statement, without providing a timeline for the offer.

Rothschild is acting as Q Logistics Holding's financial adviser while Emirates NBD capital is the lead manager.

China exports accelerate amid trade tensions; imports surprise

Reuters
Beijing

China's exports gained momentum in December, with imports also showing recovery, though strength at the year-end was in part fuelled by factories rushing inventory overseas as they braced for heightened trade risks under a Trump presidency.

Exports have been a vital growth engine for the $18tn economy, which is still burdened by a prolonged property crisis and shaky consumer confidence. While policymakers can find solace in recent policy measures keeping the economy on track for an "around 5%" growth target, challenges such as potential US tariff hikes cloud the outlook for 2025.

US President-elect Donald Trump, set to return to the White House next week, has proposed hefty tariffs on Chinese goods, sparking fears of a renewed trade war between the two superpowers.

Adding to the challenges, unresolved disputes with the European Union over tariffs of up to 45.3% on Chinese electric vehicles threaten to hinder China's ambitions to expand its auto exports and help address deflationary overcapacity concerns.

"Trade front-loading became more visible in December as a result of both Chinese New Year effects and Donald Trump's inauguration," said Xu Tianchen, senior economist at the Economist Intelligence Unit. China's biggest festival runs from January 28 to February 4.

"Import growth could be underpinned by stockpiling of commodities like copper and iron ore, as part of (China's) 'buy low' strategy," he added.

Outbound shipments in December rose 10.7% year-on-year, customs data showed yesterday, beating 7.3% growth forecast in a Reuters poll of economists, and improving from November's 6.7% increase.

Imports surprised to the upside with 1.0% growth, the strongest performance since July 2024. Economists had expected a 1.5% decline.

China's trade surplus grew to $104.8bn last month, up from $97.4bn in November. Its trade surplus with the US widened to $33.5bn over the same period from $29.81bn a month prior.

A Chinese customs spokesperson told reporters there was still "huge" room for China's imports to grow this year.

Buoyed by a weakening yuan, Chinese manufacturers managed to find buyers overseas in 2024 to compensate for depressed domestic demand by continually reducing prices, analysts said.

As a result, China's exports grew by an annual 5.9% last year, while imports increased just 1.1% over the same period.

"The double-digit rise in December exports (led by the US and Asean), along with the increase in the PMI new export orders, supports our earlier judgement that the threat of tariffs could affect export patterns in the next couple of quarters, with a potential boost in shipments before the introduction of new tariffs, followed by a drop-off," Barclays analysts said in a note.

"Overall, we think the modest increase in imports and easing CPI inflation suggest the recent domestic demand recovery is still too shallow and too weak." Market reaction was muted to the trade data. The yuan hovered near 16-month lows against the dollar, while key share indexes were down.

Signs of stabilisation have emerged following China's recent stimulus push.

Factory activity remained in modest expansion for the third consecutive month, while services and construction recovered in December, an official survey showed.

South Korea, a key indicator of China's imports, reported a 8.6% increase in shipments to China in December, suggesting resilience in demand for technology products.

QNB Group Net Profit grew by 8% to reach QR16.7 billion

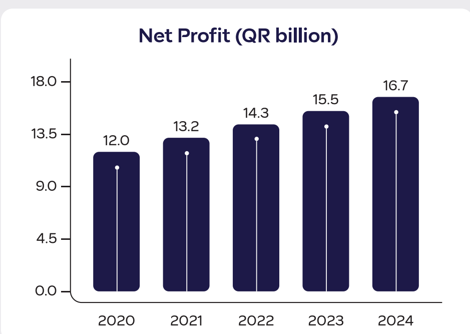
H.E. Mr. Ali Ahmed Al-Kuwari
Chairman of the Board of Directors

Key Highlights

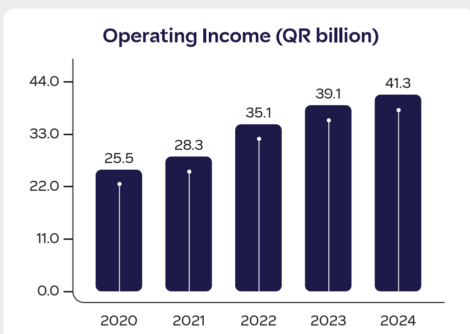
- Net Profit reached QR16.7 billion, up by 8% from December 2023.
- Total Assets reached QR1,298 billion, up by 5% from December 2023.
- Loans and Advances reached QR911 billion, up by 7% from December 2023.
- Customer Deposits reached QR887 billion, up by 3% from December 2023.
- Earnings per share reached QR1.69, up by 9% from December 2023.
- Total Equity reached QR114 billion, up by 3% from December 2023.
- Moody's and Fitch upgraded QNB's credit ratings to Aa2 and A+, respectively.
- QNB Group commenced its share repurchase of up to QR2.9 billion after receiving all regulatory approvals.

International Presence

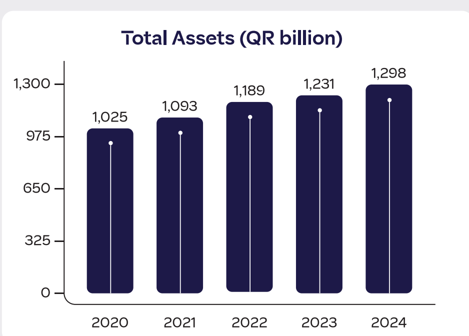
For the second half of the year ended 31 December 2024, the Board of Directors have recommended to the General Assembly for the distribution of a cash dividend of 37% of the nominal share value (QR0.37 per share), increasing the total dividend distribution for the year ended 31 December 2024 to 70% of the nominal share value (QR0.70 per share).



Net profit increased by 8% to QR16.7 billion



Operating income increased by 6% to QR41.3 billion



Total assets increased by 5% to QR1,298 billion

QNB Group, one of the largest financial institution in the Middle East and Africa (MEA) region, announced that the Board of Directors, during its meeting held today has approved the results for the year ended 31 December 2024.

The Board of Directors of QNB Group have recommended to the General Assembly the distribution of a cash dividend of 37% of the nominal share value (QR0.37 per share) for the second half of the year ended 31 December 2024, after taking into account the record net profit reported by QNB Group for the financial year 2024. The total dividend distribution for the year ended 31 December 2024 amounts to 70% of the nominal share value (QR0.70 per share).

The annual financial results for 2024 along with the proposed profit distribution are subject to Qatar Central Bank (QCB) approval and the General Assembly.

QNB Group delivered another year of record results, achieving the highest set of results in the Group's history on all key financial metrics. Key indicators of the financial results were as follows

Financial Highlights

(QR billion)	December 2024	December 2023	Increase
Net Profit	16.7	15.5	8%
Operating Income	41.3	39.1	6%
Total Assets	1,298	1,231	5%
Loans and Advances	911	853	7%
Customer Deposits	887	857	3%
Total Equity	114	110	3%

Key Performance Indicators

	December 2024	December 2023
Earnings Per Share (QR)	1.69	1.55
Cost to Income Ratio	22.3%	20.0%
Loans to Deposits Ratio*	96.8%	94.7%
NPL Ratio	2.8%	3.0%
Coverage Ratio	100%	100%
Capital Adequacy Ratio (CAR)	19.2%	19.8%
Liquidity Coverage Ratio (LCR)*	179%	206%
Net Stable Funding Ratio (NSFR)*	101%	105%

*As per QCB regulations

Creating long-term shareholder value through sustainable and profitable growth

Income statement results: Net profit for the year ended 31 December 2024 reached QR16.7 billion, an increase of 8% compared to same period last year, demonstrating the stable nature of QNB Group's financial results. Operating Income increased by 6% to reach QR41.3 billion which reflects the Group's ability to maintain successful growth across a range of revenue sources.

QNB Group's efficiency (cost to income) ratio stood at 22.3%, which is considered one of the best ratios among large financial institutions in the MEA region.

Balance sheet drivers: Total Assets as at 31 December 2024 reached QR1,298 billion, an increase of 5% from 31 December 2023, mainly driven by growth in loans and advances by 7% to reach QR911 billion. Customer deposits increased by 3% to reach QR887 billion from 31 December 2023, due to successful diversification of deposit generation.

Credit quality: The ratio of non-performing loans to gross loans stood at 2.8% as at 31 December 2024, one of the lowest amongst financial institutions in the MEA region, reflecting the high quality of the Group's loan book and the effective management of credit risk. In addition, loan loss coverage ratio stood at 100%, which reflects the prudent approach adopted by the Group towards non-performing loans. Also, during the year, loan loss charge for the year decreased to QR8.1 billion, representing a decrease of 6% compared to December 2023.

Regulatory ratios: QNB Group's Capital Adequacy Ratio (CAR) as at 31 December 2024 amounted to 19.2%. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as at 31 December 2024 amounted to 179% and 101% respectively. These ratios are higher than the regulatory minimum requirements of the QCB and Basel III reforms requirements.

First interim dividend

During July 2024, QNB paid an interim dividend of QR0.33 per share. This interim dividend payment was the first ever in QNB's 60-year history and primarily aimed to reward QNB's long-term shareholders.

QNB Share Buyback

On 11 September 2024, QNB's Board of Directors' approved a share repurchase of up to QR2.9 billion of ordinary shares of Qatar National Bank (Q.P.S.C.) ("QNBK"), subject to obtaining relevant regulatory approvals. Following the receipt of the required regulatory approvals, QNB commenced its share repurchase on 9 October 2024 in accordance with applicable QCB and Qatar Financial Market Authority (QFMA) regulations. The decision to initiate a repurchase of QNB's own shares arose after careful consideration of several factors including current and future shareholders expectations, strength of QNB Group's financial position, growth strategy, strong return on equity, high quality and superior earnings, financial ratios associated with equity and liquidity, and continued confidence of the investor community.

Up to 31 December 2024, QNB has repurchased 38.33 million ordinary shares at a total cost of QR661 million, with the assistance of Morgan Stanley & Co. International plc acting as an intermediary. QNB will recommence its share repurchase starting from 14 January 2025 in accordance with QFMA regulations.

International Footprint

During the year, QNB Group successfully received its license as a Qualified Foreign Institutional Investor (QFII) from the China Securities Regulatory Commission (CSRC).

Top-tier credit ratings

During 2024, Moody's and Fitch upgraded QNB's credit ratings to Aa2 and A+ respectively, which reaffirmed QNB's rating as the highest-rated bank in Qatar and one of the highest-rated banks in the world with ratings of Aa2 from Moody's, A+ from S&P and A+ from Fitch.

These ratings are a testament to QNB Group's capital strength, governance, prudent risk management, business and operating model. This provides QNB Group with a competitive advantage when accessing global capital markets for wholesale funding and enables QNB to continue its growth and expansion plans.

QNB Group's financial strength reflects its top tier credit ratings, which demonstrates the confidence that institutional, corporate and individual customers have in QNB Group's performance and long-term strategy, providing assurances to investors and market participants.

Diversified funding sources

QNB Group successfully completed public debt issuances under its EMTN programme, namely, a USD1.0 billion five-year public bond issuance in London Stock Exchange (LSE) in January 2024 and Formosa bond for USD1.0 billion in April 2024 with a dual listing in Taipei Exchange and LSE.

These deals attracted strong interest around the world from key global investors, reflecting investors' confidence in QNB Group's financial strength and its position as the largest financial institution in the Middle East and Africa region and demonstrates our standing as a high quality issuer.

Creating and delivering value

Based on QNB Group's continuous strong performance, driven by its strength and international footprint, the QNB brand remains the most valuable banking brand in the MEA region by Brand Finance, with a brand value of USD8.4 billion, placing the Group in 39th position globally among the Top 50 most valuable banking brands in the world. This reflects QNB Group's successful efforts to serve its diverse customer base. QNB's Brand Strength Index (BSI) increased to 86, up from 85 in 2023.

QNB Group also received a number of prestigious awards during the year:

- Bank of the Year in Qatar by The Banker
- Middle East Sustainability Leader – Banking and Financial Services by Forbes Middle East
- Best Private Bank in the Middle East and Qatar by Global Finance.

Sustainability

QNB Group continues to engage clients and partners to drive collective action on sustainability. Enabled by the market leading QNB Group Sustainable Finance and Product Framework, the Group maintains its position as a leader in sustainable financing. QNB pioneered the first domestic green bond, green deposits, green guarantees, and exclusive green vehicle loans, as well as supported the State of Qatar as Global Coordinator for its inaugural USD2.5 billion green bond issuance. More recently, through its subsidiary in Türkiye, QNB issued its first blue bond, the first of its kind by a banking group from the MEA.

QNB was the first bank in Qatar to join the Partnership for Carbon Accounting Financials (PCAF), reflecting the Group's commitment to addressing climate change as part of its sustainability strategy. PCAF facilitates the Bank's measurement of greenhouse gas (GHG) emissions arising from its financing activities, supporting transparency and accountability. This further enables QNB to support the State of Qatar's national GHG reduction target.

In 2024, QNB maintained its top domestic ESG ratings and remains a regional leader in the GCC. Amongst many international awards and accolades received this year, QNB was recently recognised as one of the World's Best Companies for Sustainable Growth by TIME magazine. QNB is the only Company from the GCC featured among 500 companies globally.

Group statistics

QNB Group's presence spans 28 countries across three continents operating from approximately 900 locations, over 5,000 ATMs supported by more than 31,000 staff.

Subsidiaries & Associates of QNB Group

QNB Group	Country	% Ownership
QNB Capital LLC	Qatar	100%
QNB Suisse S.A.	Switzerland	100%
QNB Financial Services	Qatar	100%
QNB Tunisia	Tunisia	99.99%
QNB Turkiye	Turkey	99.88%
QNB Egypt	Egypt	95%
QNB Indonesia	Indonesia	91.57%
Al-Mansour Investment Bank	Iraq	54%
QNB Syria	Syria	51%
Commercial Bank International	UAE	40%
Housing Bank for Trade and Finance	Jordan	38.6%
Al Jazeera Finance Company	Qatar	20%
Ecobank Transnational Incorporated	Togo	20%

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BUSINESS

Europe threatens to trigger global scramble for natural gas

Bloomberg
Washington/London/Singapore

The world is bracing for a fight for natural gas supplies this year, prolonging the pain of higher bills for consumers and factories in energy-hungry Europe and putting poorer emerging countries from Asia to South America at risk of getting priced out of the market.

For the first time since the energy crisis was turbocharged by Russia's war in Ukraine, Europe risks failing to meet its storage targets for next winter, setting the stage for one last scramble for supplies before new liquefied natural gas capacity starts to ease the situation next year.

While Europe has enough gas reserves to get through this winter and prices have eased since the start of the year, inventories are being eroded by cold weather, which swept across the continent this weekend. Supply options have been squeezed since the start of this year, when Russian pipeline deliveries through Ukraine ceased following end of a transport agreement.

"There will certainly be an energy gap in Europe this year," said Francisco Blanch, commodity strategist at Bank of America Corp. "That means that all the incremental LNG that's coming online this year around the world will go into making up for that shortfall in Russian gas."

To cover its projected demand, Europe will need to import as much as an extra 10mn tons per year of LNG — about 10% more than in 2024, according to Saul Kavonic, an energy analyst at MST Marquee in Sydney. New export projects in North America could help ease market tightness, but that hinges on how quickly the facilities can ramp up production.

With fewer options to restock for next winter, Europe will need LNG shipments, pulling some away from Asia, home to the world's biggest consumers.

Depending on how demand shapes up, the competition would drive prices higher than countries like India, Bangladesh and Egypt can afford and weigh on Germany's economic recovery.

Gas futures in Europe, which typically also impact Asian spot LNG prices, are still about 45% higher than at the same period last year and contracts are trading at around triple pre-crisis levels so far in 2025.

Price surges "would be made worse if Asia-Pacific inventories are depleted as well, which would lead to competition for cargoes," said Jason Feer, global head of business intelligence at energy brokerage Poten & Partners Inc in Houston.

It isn't easy for all utilities and industries to find alternatives to gas. That's a particular problem for Germany, which was reliant on Russia for more than half of its gas supplies before the Kremlin invaded Ukraine in 2022.

With its manufacturing sector labouring under higher costs, energy security has become a major issue in the country's February 23 snap election. The far-right Alternative for Germany is No 2 in the polls in part because the party wants to revive cheap pipeline deliveries from Moscow to shore up manufacturing competitiveness.

Those losing out to Europe's ability to pay a hefty premium for gas will be Asia's developing nations, with some cargoes already diverting to take advantage of higher rates.

It's a similar situation in South America. Brazil struggled to replace waning hydropower generation following a drought-stricken period, and Argentina could be drawn into the competition for LNG for its upcoming heating season.

Egypt is also exposed. The country surprised the market last year when it shifted from LNG exporter to importer as it grappled with summer blackouts, boosting purchases to the highest level since 2017, according to ship-tracking data compiled by Bloomberg. The country may still require dozens of shipments this year to survive summer heat.

For LNG sellers, already reaping benefits of higher prices, the squeeze creates opportunities. In some cases, LNG producers may be able to ramp up capacity similar to an export boost that happened in the crisis year of 2022, according to Ogan Kose, a managing director at consultancy Accenture.

The outlook depends largely on how quickly new production facilities start up. Last year, growth was negligible as Egypt stopped exports and Russia's newest Arctic LNG 2 plant was stifled by US sanctions, according to Laura Page from energy data firm Kpler.

That puts the spotlight on the US. The world's biggest LNG supplier has for years pitched to save Europe from gas starvation and the message is likely to get louder after Donald Trump enters office. He has already threatened tariffs if Europe doesn't buy more American energy.

This year, US LNG exports are expected to rise by about 15%, according to Kpler, as Venture Global LNG Inc's Plaquemines and Cheniere Energy Inc's Corpus Christi expansion increase production. But the pace is in doubt. Cheniere has already warned the ramp-up this year will be "relatively slow."

In Russia, still Europe's second-biggest source of LNG, the focus will be on whether the nation will be able to maintain its exports after the US on Friday imposed sanctions on two smaller facilities. Western sanctions have already stifled the major Arctic LNG 2 project and affected key equipment and service supplies, delaying its full completion by two to three years, according to Claudio Steuer, energy consultant and faculty member of IHRDC in Boston.

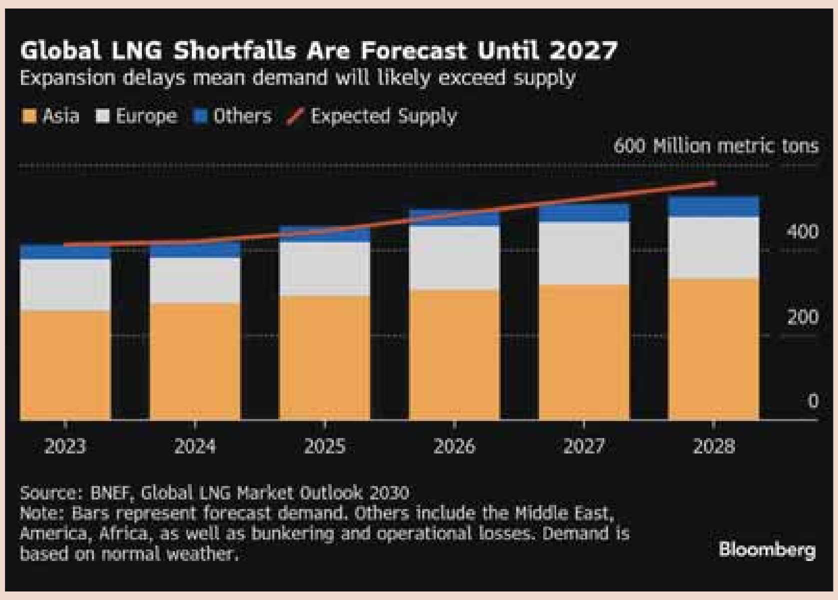
Trump, who has vowed to end Russia's war in Ukraine, could also change the overall market outlook, especially if a peace deal includes energy, as expected. Russian pipeline gas exports via Ukraine could eventually continue in 2025, according to a note by Anthony Yuen and other analysts at Citigroup Inc.

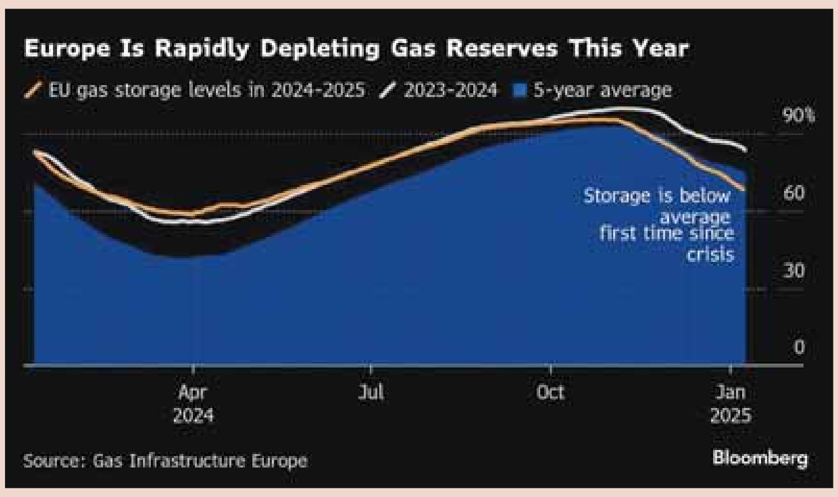
For now, Asia has enough slack to cede LNG supply to Europe. China's LNG importers have been reselling shipments for delivery through March and have largely halted purchases from the spot market, where prices are elevated. Indian gas importers have turned to cheaper alternatives, while Bangladesh has been forced to adjust purchase tenders after offer prices were too high. Egypt turned to gasoil.

Although Asia's mild weather has allowed demand to adjust, tight markets increase the risk of volatility from extreme weather or supply issues. Output hiccups at export plants from Australia to Malaysia over the last year have showed how vulnerable the production side can be.

Relief is on the horizon though. From 2026 onwards, delayed projects are slated to finally start shipping fuel. At that point, tight markets could become loose, according to Jefferies Financial Group Inc. An additional 175mn tons of new supply will start arriving by 2030, primarily from the US and Qatar. That could cause downward pressure on prices and bring back customers in countries that are getting squeezed out this year.

"If current LNG expansion plans hold, 2026 should be the light at the end of the tunnel," said Florence Schmit, a European energy strategist at Rabobank.





People walk past the New York Stock Exchange. Investors are starting 2025 with a conundrum: How to protect against potentially bigger risks while not missing out on a stock-market rally.

Wall Street eyes cheap hedges for stock rally showing strains

Bloomberg
New York

Investors are starting 2025 with a conundrum: How to protect against potentially bigger risks while not missing out on a stock-market rally.

On the one hand, just about every sell-side strategist has an S&P 500 Index target above current levels, and the US economy remains strong. On the other, long-term Treasury yields are flirting with the key 5% level, with the dollar reaching a high after Friday's hotter-than-expected jobs report. All this while Donald Trump is about to be inaugurated as US president for a second time, showing every sign that he'll inject as much volatility into markets as he did the first time around.

After two years of caution on equity markets — with consensus touting bonds to outperform and a moderate recession to ensue — Wall Street strategists appear to have thrown in the towel. After all, who will want to explain to investors why they missed out on yet another year of 20% returns for US stocks?

History does not judge capitulation by bears too well: It can be seen as the inflection point for markets, and buy-side portfolio managers are often wary of a clean sweep of bullish sell-side strategists. As a consequence, hedging may be more in focus this year.

For stock investors looking for the best of both worlds in 2025 — riding the rally with cheap crash protection — several sell-side strategists are suggesting variations on a theme: buying calls on the Cboe Volatility Index, subsidised by the sale of S&P 500 puts.

According to UBS Group AG, the strategy has provided a return similar to just going long the stock market over time. The added benefit is that it outperforms if volatility spikes as it did during previous flash crashes, such as the one last August.

Bank of America Corp strategists take a systematic approach with dynamic weightings that change depending on VIX positioning risk. They note that the index of stock swings developed a significant imbalance as end-dealers built short delta and gamma positions ahead of the early-August selloff, and that VIX call skew tends to be steeper when market makers become shorter option delta.

With VIX call skew still quite high and Bank of America saying that position imbalances did not fully reset post the Aug 5 volatility spike, this long convexity strategy demands immediate attention from investors.

That kind of systematic trade has attracted banks offering quantitative investment strategies, also known as QIS, which use mathematical models and algorithms to identify opportunities. Data provider Premialab notes that such bets can help mitigate portfolio risk, with back-testing of a collection of defensive strategies seemingly achieving tail-risk protection with reduced carry cost.

"Buy-side clients are increasingly incorporating long VIX calls and tail-risk hedging strategies into their portfolios," said Adrien Geliot, chief executive officer of Premialab. "These approaches enable clients to manage downside risks and protect against volatility spikes more efficiently in today's volatile markets, often without the significant drag on returns associated with traditional hedging methods."

Some on the buy-side question how effective QIS is in practice, with what's known as overfitting of back-testing — when the model is too closely aligned with a limited set of data — often a big concern. Even sell-side specialists on the subject point out that specific systematic trades such as this long VIX calls, short S&P 500 puts may not be effective if they're implemented in too regimented a manner.

"This strategy may not perform optimally during slow, grinding selloffs, like those experienced in Q4-2018 or 2022," said Arnaud Jobert, co-head of global strategic indices at JPMorgan Chase & Co. "We would generally prefer a more dynamic implementation, which can look at relative value opportunities between the two."

Antoine Bracq, head of advisory at Lighthouse Canton, shares a similar view.

"The long VIX calls and short SPX puts strategy adds unnecessary complexity without delivering meaningful value," Bracq said. "Additionally, you may need to fine-tune the ratio between the two legs, which introduces a second layer of complexity, further reducing the strategy's appeal."

For the short term, JPMorgan's US equity derivatives strategists suggest buying straddles expiring shortly after the January 20 inauguration.

Those take advantage of potential volatility from policy announcements around then that may send certain sectors swinging, such as consumer or technology in the case of tariffs.

As the dollar rallies, options traders have bolstered their outlook on an even stronger greenback. One-month risk reversals on the Bloomberg Dollar Spot Index traded at 0.54% in favour of calls on Friday after the US employment report, the most bullish since early July.

Big banks poised for trading windfalls from election volatility

Bloomberg
New York

The US elections in November stirred up more than just political anxiety: Volatility fuelled by the vote, combined with global geopolitical upheaval, probably generated near-record trading revenue for Wall Street's biggest banks.

JPMorgan Chase & Co, Goldman Sachs Group Inc, Morgan Stanley, Bank of America Corp and Citigroup Inc are expected to round out 2024 with a combined 15% increase in trading revenue to $24.5bn, the highest fourth quarter in at least five years. Their equities teams are expected to have had a particularly good quarter, as investors placed bets on how the election would affect stock prices.

Bank of America's Brian Moynihan already telegraphed his bank's haul, saying last month that the firm's sales and trading team had its best-ever quarter, with revenue jumping by a percentage in the mid-to-high single digits. At Citigroup, markets revenue is expected to show a percentage increase in the high teens, Chief Financial Officer Mark Mason also said in December.

And the bonanza isn't over yet. "This will be a strong year for markets activities," said Scott Siefers, an analyst at Piper Sandler. "There's an implicit sense that there will be a lot of volatility, which is good for trading desks."

This is also the first time in almost five years that banks are posting quarterly results that reflect the impact of falling interest rates, after the Federal Reserve cut its benchmark by 50 basis points in September. It's a boon for debt-underwriting desks, whose clients are desperate for cheaper loans, but usually a headwind for banks that prefer a large margin between what they charge on loans and what they pay depositors.

Fourth-quarter forecasts for that margin — a major revenue source known as net interest income — average $62.2bn for the four largest banks, down 3.7% from the same period in 2023, according to analyst estimates compiled by Bloomberg.

The Trump administration, which takes over next week, will have a major impact on the outlook for NII. While it may bring a lighter touch to financial regulation, some of his policies risk sparking higher inflation, many economists have warned.

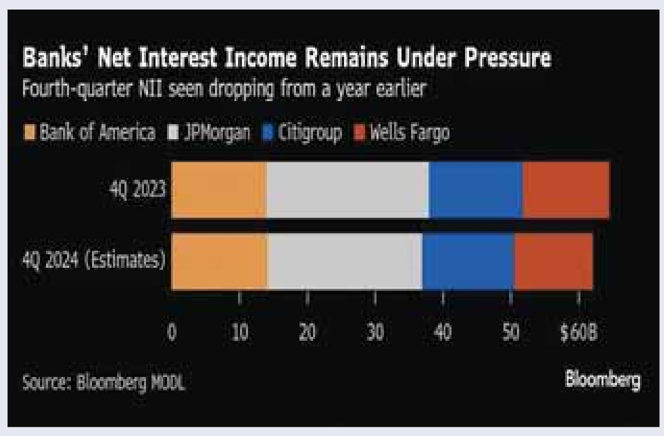
Falling rates have already shown signs of reversing a protracted deal slump as companies seize on cheaper financing to fund mergers. Loan growth, which has been sluggish, is also expected to rise.

"There's a general sense of optimism after the election and the most recent cut, where pipelines remain solid and banks are hopeful of accelerating commercial loan demand," Raymond James Financial Inc analysts David Feaster and David Long said in a note.

The investment-banking rebound pushed fourth-quarter fees from that business at Citigroup about 25-30% higher compared with a year earlier, CFO Mason has said. JPMorgan expects its fees to climb 45% in the same period. Jefferies Financial Group Inc already reported its earnings, where revenue from investment-banking soared 73% from a year earlier.

Questions on credit quality will also be high on the list, with analysts anticipating a return to a more normal environment for credit losses. Risks of inflation down the line, however, could trigger concerns about consumers' credit quality and unrealised losses sitting on bank balance sheets.

Bank capital requirements, one of the most contentious issues between banks and regulators in recent years, may be off the table soon, after the Fed's point man on the issue, Michael Barr, said earlier this month that he would step down in February.



Fed rate plan fears add fire to EM bond issuance

Reuters
London

Emerging market (EM) countries and companies have issued a flood of bonds topping $55bn, the most in years, as borrowers rush to lock in cash before the potential tumult of the second Donald Trump administration in the US.

Saudi Arabia sold a whopping $12bn in bonds last week, Mexico $8.5bn and Chile more than $3bn, along with Slovenia, Hungary, Indonesia, Estonia and a string of companies.

Many of them were issued at zero premium over existing bonds, while euro-denominated debt was also back in vogue.

Morgan Stanley calculations show a total of $55.5bn in issuance year to date, the most in more than a decade, and well above last year's $44.6bn.

"Borrowers want to be at the front of that issuance wave," said Stefan Weiler, head of CEEMEA debt capital markets at JPMorgan.

Weiler said borrowers were coming "en masse and in size" to issue roughly another $30bn in debt sales ahead of January 20, when Trump's inauguration could spark volatility, and ahead of the US Federal Reserve meeting at the end of the month, which could signal changes to its interest rate plans.

Trump's aggressive promises to place additional tariffs on China threaten economies across a swathe of emerging countries — chiefly China but also commodity exporters like Chile and Brazil. His penchant for unpredictable policies also tends to rattle markets.

But nascent re-inflation fears in the US — and blockbuster jobs growth — is adding fire to the bellies of those who need to raise money.

"There's this re-inflation narrative that kind of spooks the market," said Nick Eisinger, co-head of emerging markets fixed income with Vanguard.

"Overall risk-free yields therefore have to go up. And therefore the starting point in terms of countries wanting to do new issues gets more expensive."

Emerging market issuance last year was already like a "bulldozer," according to BNP Paribas. Matt Doherty, head of CEEMEA syndicate at BNP Paribas, said this is continuing.

Those who needed cash were funding well in advance in 2024 to avoid the "slipstream" of US election-induced volatility.

Now, with the market recalibrating from expectations of as many as five rate cuts from the US Fed down to potentially just one, there was more reason to front-load issuance.

"I wouldn't be surprised if you have another first half where we see the best part of $200bn in issuance from CEEMEA," Doherty said, referencing last year, when 70% of emerging market debt raised was in the first six months of the year.

"There isn't really any reason for people to wait." Thus far, the average new-issue premium has also been between 0-10 basis points (bps), compared with 15-20 bps early last year. Several borrowers, including Chile, the Hong Kong Airport Authority and Hungary, paid 0-5 basis points, Doherty added.

But high yields compared with recent years prompted some sovereigns, such as Saudi or Indonesia, to opt for shorter-term bonds rather than their usual 30-year sales.

An unusually high number of issuers — including Chile, Indonesia and Hungary — also offered euro-denominated bonds to make use of lower yields in the bloc.

Adding to funding needs are nearly $500bn of redemptions in emerging markets due this year, according to Paribas data, as short-term debt issued in 2020 during the Covid-19 pandemic comes due.

Bank of America's David Hauner said the Covid-era debt repayments meant that outside the Gulf countries, net issuance would be lower than last year. Total issuance for companies, corporates and other emerging market entities this year, he said, would be around $567bn.

But as many as possible, he said, would issue early, due also to fears that the US Fed could even hike rates again. While that is not a Bank of America expectation, Hauner said it would be "very brutal for fixed income." "It's the most dangerous scenario for EM credit," he said.

Asia equity markets sink after blockbuster US jobs report

AFP
Hong Kong

An external view of the Hong Kong Stock Exchange. The Hang Seng Index closed down 1.0% to 18,874.14 points yesterday.

Asian and European markets sank yesterday after an outsized US jobs report dealt another blow to hopes for more interest rate cuts, while oil extended a rally sparked by new sanctions on Russia's energy sector.

In Hong Kong — Hang Seng Index closed down 1.0% to 18,874.14 points and Shanghai — Composite ended down 0.3% to 3,160.76 points yesterday. Tokyo was closed for a holiday.

The equity sell-off tracked hefty losses on Wall Street, where all three main indexes finished more than 1% lower as the new trading year continued to falter.

Keenly awaited data on Friday showed the US economy created 256,000 jobs last month, a jump from November's revised 212,000 and smashing forecasts of 150,000-160,000.

The figures followed news that the crucial US services sector picked up in December, with the prices component soaring more than expected to the highest level since last January, while another report showed job openings hit a six-month high in November.

Hopes that the Federal Reserve will continue cutting rates through 2025 — having made three trims last year — were dashed when in December it indicated just two reductions over the next 12 months, down from four tipped previously.

The hawkish pivot came as inflation continues to hover above the bank's 2% target, while there are also concerns that president-elect Donald Trump's plans to slash taxes, regulations and immigration will reignite prices.

"Given a resilient labour market, we now think the Fed cutting cycle is over," said Bank of America's Aditya Bhave and other economists.

"Inflation is stuck above target: in the December (summary of economic projections), the Fed not only marked up its base case for 2025 significantly, but also indicated that inflation risks were skewed to the upside. Economic activity is robust.

"We see little reason for additional easing." Markets in Sydney, Singapore, Seoul, Mumbai, Taipei, Manila, Bangkok and Jakarta all sank. Tokyo was closed for a holiday.

Hong Kong and Shanghai also fell but pared initial losses as data showed Chinese exports and imports topped forecasts in December.

On currency markets the pound was wallowing around lows not seen since the end of 2023 owing to fading hopes for US rate cuts as well as worries about the British economy. The euro struggled at its weakest since November 2022.

Surging oil prices added to unease, with both main contracts jumping after the US and Britain announced new sanctions against Russia's energy sector, including oil giant Gazprom Neft.

However, commentators do not expect prices to spike too much, even amid speculation that Trump will hit Iran with fresh sanctions.

Robust US economy may not need Trump's big reforms

Reuters
Washington

US President-elect Donald Trump campaigned on promises of aggressive import tariffs, strict immigration curbs, deregulation and smaller government, but the economy he inherits next week may be screaming for something different.

Namely, don't break anything.

With output expanding above trend, the labour market near maximum employment and adding jobs , and the embers of inflation still smouldering, Trump may be launching his promised reforms into an economy less in need of the sort of stimulus his 2017 tax cuts provided. As a stock selloff following last week's strong December jobs report showed, it may also be prone to correction given high asset values and a bond market that has been moving yields higher.

"Success for the Trump administration would be to do no harm to the exceptionally performing economy it is inheriting," said Mark Zandi, chief economist at Moody's Analytics. On their face, the planned combination of tariffs, deportations, and deficit-funded tax cuts "will do harm. How much... depends on how aggressively these policies are pursued." Trump will take office next week under far different economic circumstances than when he started his first four-year term in 2017.

"The constraints are different, starting with inflation," which is not yet fully controlled from a pandemic-era spike and has shown little year-over-year improvement in recent months, said Karen Dynan, a Harvard University economics professor and former Obama administration official. Trump also faces larger federal deficits and higher government borrowing costs than before, and a labour force that has grown faster than expected because of immigration, something Trump wants to curtail.

Referring to recent US performance that has outstripped that of other developed nations and surprised many economists, Dynan said that "if you believe the economic growth in excess of trend is from immigration, it is going to be hard to get numbers as large as we saw in the latter part of the Biden administration."

When Trump first entered the White House in 2017 the economy had been growing steadily since the end of the 2007-2009 financial crisis, but the pace was often sluggish and employment had not fully recovered. There was room for the boost Trump's signature Tax Cuts and Job Act provided, and while the import tariffs that followed dealt a blow to the global economy, the US proved largely resilient.

What had been the longest US economic expansion in modern times ended only when the Covid-19 pandemic began in March 2020. Inflation was a distant concern back then, seemingly anchored below the Federal Reserve's 2% target.

Homebuyers could find 30-year fixed-rate mortgages at around 4%, and the government was financing its operations with long-term Treasury bond rates at around 3%. Today, inflation is stingily hanging above the Federal Reserve's target, mortgage rates are nearing 7%, and 30-year Treasury yields are around 5% and rising, a fact that may reflect market doubts about whether inflation is contained and about US financial discipline going forward.

"There is still a concern inflation may not be beaten... We are going to fix that problem, so don't worry about it," Fed Governor Christopher Waller said last week of rising long-term bond yields. But "the other thing getting more and more attention is the concern about fiscal deficits... If that does not seem to change going forward, at some point the markets are going to demand a premium... That is starting to be what we are seeing." While Trump has created an informal Department of Government Efficiency to find savings, there's no plan to address the major deficit drivers: health and retirement benefits for seniors that both political parties consider sacrosanct.

If government borrowing costs and the vigilance of bond markets pose one potential set of constraints for Trump, the state of the economy could pose another.

The major data that Fed staff and officials watch, including figures on employment, inflation, consumer spending and overall growth, may not offer much room for improvement without risks.

The unemployment rate in December was 4.1%, for example, near or below many estimates of what's considered sustainable without generating inflation, and the economy gained an impressive 256,000 jobs.

With wages growing, consumer spending remains healthy. Inflation is drifting lower but is still more than half a percentage point above target, with concerns that it could be reignited by any aggressive move to boost output that may already be exceeding potential or by added costs from things like tariffs.

"The US economy is just performing very, very well," Fed Chair Jerome Powell said in a Dec 18 press conference at the end of the central bank's last policy meeting. "We have to stay on task, though," with monetary policy remaining tight enough to return inflation to 2% while keeping the job market intact.

Between Trump's plans and the economy's strength, there's growing doubt about whether the Fed will be able to cut rates much further, if at all.

The uncertainty about what's ahead is rooted in the gap between Trump's expansive rhetoric about what he seems to think the economy needs and the actual economic performance over the last year in particular.

The Fed's meeting last month saw staff beginning to suggest slower growth and higher unemployment may be the immediate result of expected trade and other policies. Policymakers publicly have highlighted the uncertainty they are dealing with while also attempting some balance.

Noting that businesses themselves have been optimistic about upcoming conditions, despite possible disruptions from tariffs and deportations, "I expect more upside than downside in terms of growth," Richmond Fed President Tom Barkin said last week even as he also acknowledged possible inflation risks.

And, Barkin said of the incoming administration's likely policy initiatives, "you could walk some of them back if they prove to be damaging."

Tech supplier Arm plans to hike prices

Reuters
San Francisco

Arm Holdings, a technology supplier to chip firms, is developing a long-term strategy to hike prices by as much as 300% and has discussed designing its own chips in a move to compete with its biggest customers.

For decades, the British firm kept a low profile while operating at the heart of billions of dollars of chip sales per year. It licenses the intellectual property that Apple, Qualcomm, Microsoft and others use to design their chips, charging a small royalty for each chip produced with Arm technology.

Despite being central to the rise of smartphones and energy-efficient data centre chips, Arm has remained small compared to its customers, with $3.23bn in revenue for fiscal year 2024. In its most recent fiscal year, Apple's revenue from its hardware products, which are all powered by Arm-based chips, was more than 90 times larger.

But Masayoshi Son, CEO of SoftBank Group, which owns 90% of Arm, and Arm CEO Rene Haas, are determined to change that, according to plans revealed in a trial last month in which Arm aimed unsuccessfully to secure higher royalty rates from Qualcomm. The details of Arm's ambitions, which were described in court testimony and documents that remain under seal, have not been previously reported.

Arm and Qualcomm declined to comment.

Known in its early stages as the "Picasso" project, Arm's plans, which date back to at least 2019, aim for a roughly $1bn increase in annual smartphone revenue over about 10 years, according to sealed executive testimony.

Arm planned to achieve this partly by increasing the per-chip royalty rates that customers pay for ready-made parts of chip designs that used its latest computing architecture, called Armv9.

During trial, documents were shown from August 2019 in which Arm executives discussed a 300% rate increase.

In December 2019, Arm's then-CEO Simon Segars told Son, Arm's board chairman, that Arm had secured a deal with Qualcomm to use ready-made technology under the "Picasso" initiative.

But Qualcomm and other large customers such as Apple are sophisticated enough to design their own chips from scratch using Arm's architecture without needing Arm's higher-priced ready-made offerings, meaning they would not necessarily be subject to all of those rate increases.

"We have rough legacy agreements with Qualcomm and Fender," Haas said in a Microsoft Teams chat held the day Qualcomm bought Nuvia in 2021, shown at trial. The startup would help Qualcomm use less of Arm's ready-made technology.

After SoftBank acquired Arm in 2016, the British firm's computing architecture went from powering smartphones to making big inroads in PC and data centre markets.

The plans Arm executives discussed included potentially inching closer to making a complete chip design of Arm's own, according to testimony and documents at trial. Arm sells chip-design blueprints, but most of its customers still spend months completing the chip design.

"It was news to me that Arm is even thinking about (making its own chip)," said Tantra Analyst founder Prakash Sangam, who attended the trial. "It should send a chill down the spine of their customers."

At the trial, Qualcomm attorneys showed a slide from Haas' presentation to Arm's board in February 2022 when he applied to become CEO that suggested Arm change its business model. Haas said instead of selling only chip blueprints, Arm should sell chips or chiplets, a smaller building block used to make some processors made by Advanced Micro Devices and others.

In a conversation with another Arm executive a few months earlier, Haas expressed confidence that Arm could compete against its own customers if it put a chip into the marketplace, according to testimony and documents.

Natural gas exporter Venture Global seeks $2.3bn in IPO

Bloomberg
New York

Venture Global Plaquemines LNG plant in Port Sulphur, Louisiana, US. Venture Global is seeking to raise $2.3bn in what would be the largest US initial public offering by an energy firm since 2013.

Venture Global Inc is seeking to raise $2.3bn in what would be the largest US initial public offering by an energy firm since 2013.

The Arlington, Virginia-based company plans to market 50mn shares for $40-46 each, according to a filing yesterday with the US Securities and Exchange Commission.

At the top of the price range, Venture Global's offering would be the largest energy-sector IPO in the US since Plains GP Holdings LP raised $2.9bn in 2013. A top-priced offering would give Venture Global a market value of $110bn based on the outstanding shares listed in its filing.

The planned listing would add to growing momentum in the US IPO market. First-time share sales raised nearly $43bn last year, a 64% increase on 2023's volume yet still below the average in the decade before the pandemic, data compiled by Bloomberg show.

Venture Global had net income of $756mn in the nine months ended September 30 on revenue of $3.4bn, versus net income of $3.6bn on revenue of $6.3bn in the same period in 2023, according to the filing.

LNG is expected to play an increasingly central role in global energy markets in the years ahead, as nations seek a cleaner-burning alternative to oil and coal. The US's position as the world's largest supplier of the fuel is poised to grow even stronger, as President-elect Donald Trump returns to the White House and pushes to ease regulations that could make LNG exports terminals easier to build.

The company has been exporting gas from its Calcasieu Pass facility since 2022 and sent its first shipment from Plaquemines LNG, located outside New Orleans, in December. With Plaquemines fully operational, Venture Global is set to become the second-largest LNG producer in the US, behind Cheniere Energy Inc.

Venture Global is attempting to build out a more integrated supply chain than some of its peers. It has secured capacity at facilities in the UK and Greece, where its LNG would be regasified and sent to end users, a strategy would allow it to win greater market share, according to its filings.

Pending arbitration claims against Venture Global in cases by eight separate companies, including some oil majors, total as much as $5.9bn, Bloomberg News has reported. The claims allege the company has not delivered gas to customers at Calcasieu Pass that signed up for long-term contracts. A Venture Global spokesperson said the cases have no contractual or other basis.

The company's Class A shares will offer investors one vote per share, while founders Robert Pender and Michael Sabel will retain control of the company with Class B shares, which offer 10 votes each, the filings show.

The offering is being led by Goldman Sachs Group Inc, JPMorgan Chase & Co and Bank of America Corp. The company plans for its shares to trade on the New York Stock Exchange under the symbol VG.

UK markets fall again as inflation countdown unsettles traders

Bloomberg
London

UK assets entered a second week of declines amid growing consternation about the government's large fiscal deficit and key inflation data this week that may show price pressures remain elevated.

Sterling was the worst-performing Group-of-10 currency yesterday, dropping as much as 0.9% to $1.2102, the lowest since November 2023. Gilts fell with global peers, pushing the 10-year yield back toward last week's peak of 4.92% — the highest level since the global financial crisis in 2008.

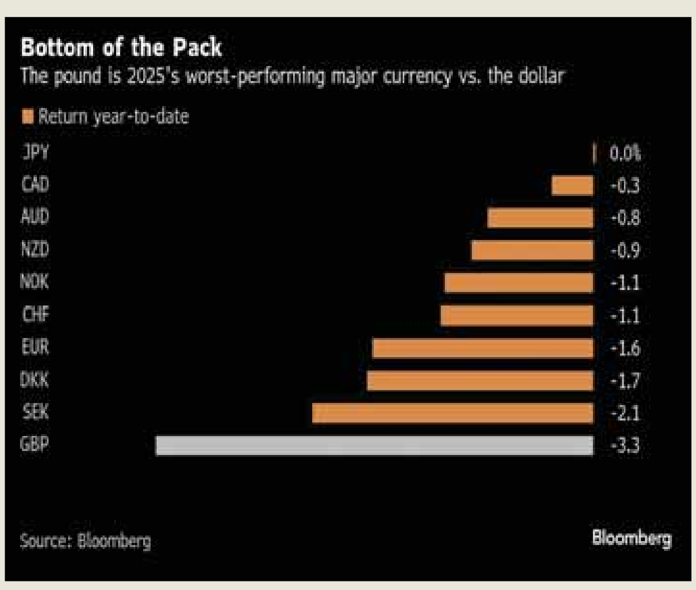
Investors are on edge ahead of Wednesday's inflation report, as a re-acceleration in consumer-price growth in December could boost the case for even higher yields. UK bonds emerged as a particularly weak link amid a global selloff given concerns over persistently high inflation and the nation's stretched public finances.

"In the current market environment where the ongoing selloff in gilts is creating more concern amongst market participations over the government fiscal positions, even a stronger UK inflation report could be viewed more negatively for the pound," Lee Hardman, senior FX strategist at MUFG wrote in a note.

Economists surveyed by Bloomberg forecast Britain's consumer price growth was unchanged at 2.6% last month, above the Bank of England's 2% target. Signs that price pressures are reigniting could unleash further market volatility.

Options trading suggests the pound's weakness will persist. One-month risk reversals, a measure of market sentiment, show traders are the most bearish since December 2022. Meanwhile, the cost of hedging sterling swings over the coming month rose to the highest since March 2023.

"The UK has suffered the most of the G10 in 2025," said Bob Savage, head of markets strategy and insights at BNY. "The UK data may set off one theme for others in 2025 – 'new stagflation' where fiscal and monetary policy aggravate growth leaving inflation stuck."



"There is far more to the relentless increase in gilt yields than just what is happening to Treasuries. The two-year inflation breakeven rate in the UK has climbed an emphatic 70 basis points since Chancellor Rachel Reeves unveiled her autumn budget, outlining ambitious borrowing and spending. The increase in yields isn't just a secondary-market phenomenon that the UK government can ignore," says Ven Ram, strategist at Bloomberg.

To be sure, the pound's losses also reflect the dollar's strength as traders slash wagers on the extent of interest-rate cuts from the Federal Reserve this year.

A blowout US employment report on Friday underlined the resilience of the US economy, leading money markets to price less than one quarter-point reduction in borrowing costs this year.

"We have a very strong dollar and the dollar is rising against many, many currencies," Jim O'Neill, member of the UK House of Lords and former chairman at Goldman Sachs Asset Management said in a Bloomberg TV interview.

Investors will closely follow a sale of 30-year inflation-linked UK bonds today and an offering of 10-year gilts on Wednesday.

Last week, an auction of long-term debt was the least oversubscribed since 2023, while new five-year notes were met with solid demand. The yield on 10-year gilts rose as much as six basis points on Monday, adding to a 25-basis-point jump last week, before partly reversing the move.

The market rout drew comparisons with a meltdown two years ago that toppled former prime minister Liz Truss, heaping pressure on the fiscal plans of current Chancellor Rachel Reeves.

Gordon Shannon, portfolio manager and partner at TwentyFour Asset Management, said the firm is underweight UK rates. While "meaningful" spending cuts could spur a recovery in UK markets, he expects Reeves to resist any such move for now to keep alive her goal of boosting long-term growth and investment.

UK stocks were also hit in the selloff, with the domestically-focused FTSE 250 posting its worst week since June 2023. The index fell 0.3% yesterday, as did the large-cap FTSE 100, mostly comprised of export-oriented constituents.

The sterling primary market has been ticking along, although it hasn't been tested by non-financial UK corporates yet. Motability Operations Group plc, a London-based provider of transit services, will likely be the first after it finishes investor meetings today.

Cashless era: Why CBDCs are the future of money

By Abdulla Ali al-Siddiqi al-Emadi

What makes money valuable? For centuries, it was tied to tangible assets like gold or silver. Today, however, money has evolved into something entirely different; it derives its value from trust. Modern money, whether paper bills or digital balances, is valuable because people trust the institutions behind it. Governments play a central role in this process, backing fiat currencies (paper money) to ensure stability. But as technology advances, money is evolving once again. Cryptocurrencies and Central Bank Digital Currencies (CBDCs) are reshaping the future of the financial system.

This transition towards digital currencies is not as radical as it might seem. Traditional banks have already embraced digital money. For instance, when a bank issues a loan, it doesn't hand out physical cash. Instead, it credits a borrower's account, digitally creating money in the form of deposits. This process demonstrates that the shift to digital transactions has already spread throughout our financial systems. The difference with CBDCs is that they are government-backed, ensuring stability while also taking advantage of the speed and efficiency that digital systems offer.

Given this background, it's natural to wonder: why not simply adopt something like cryptocurrencies, which offer many of the same digital benefits? To understand why CBDCs are the future, we need to examine the flaws of cryptocurrencies and why they fall short as a reliable form of money.

Cryptocurrencies are often described as decentralised, innovative, and the future of money. But do they meet the essential criteria of money? The answer is no, and here's why.

First, Cryptocurrencies are highly volatile. Their value can rise and fall dramatically in a short period, making them unreliable as a store of value or medium of exchange. Imagine receiving your salary in cryptocurrency, only to find out your wallet is empty by the next morning. This volatility makes cryptocurrencies unsuitable for daily transactions.

Second, cryptocurrencies are not backed or regulated by any government. While some see this as an advantage, it creates trust issues. If a crisis occurs, who guarantees the value of cryptocurrency? Without oversight, cryptocurrencies remain digital assets rather than currencies that cannot provide the same level of stability as government-backed currencies.

Third, the idea of decentralisation (the absence of a central authority) is often promoted as one of the core characteristics of cryptocurrencies, but this decentralisation introduces significant flaws. While decentralisation promises freedom from government or institutional control, it also means there is no central authority overseeing transactions, which leads to a lack of transparency. We do not know who the issuers or controllers of the currency truly are, making it vulnerable to manipulation.

In fact, the reality is that a small number of individuals control a large portion of the cryptocurrency supply, which erodes the ideal of decentralisation. These entities can create a monopoly while manipulating prices. Furthermore, the lack of regulation associated with decentralisation in cryptocurrencies complicates the accurate monitoring of transactions and money circulation in the economy. This lack of financial oversight is a critical issue in maintaining economic stability.

Finally, cryptocurrencies are limited in supply, restricting money creation while reducing the central bank's flexibility in managing the economy and increasing production. Unlike CBDCs, where central banks can monitor every transaction, cryptocurrencies are largely unregulated, and the lack of a central authority means that they cannot respond to illegal activities, such as fraud or money laundering, effectively.

While cryptocurrencies have revealed these limitations, central banks have taken their innovation seriously and sought to integrate it into a more stable and secure system. CBDCs are digital tokens that address the many concerns raised by cryptocurrencies while offering a more controlled and reliable form of currency issued by a central authority. By introducing CBDCs, central banks can combine the best elements of both digital currencies and traditional financial systems, ensuring stability and trust.

CBDCs represent a major leap forward in modern financial systems. They eliminate intermediaries, significantly improving transaction efficiency. Unlike cryptocurrencies, which rely on a decentralised network, CBDCs are built with government-backed value stability and enhanced transparency. By using secure digital systems, central banks can maintain full oversight of transactions while balancing privacy with traceability to meet regulatory standards. One of the key advantages of CBDCs is their transparency. Unlike physical cash, which can circulate without leaving a trace, CBDCs create a verifiable record of each transaction. This ensures financial oversight and helps prevent illegal activities such as fraud and money laundering.

However, there's an important distinction between cash and CBDCs when it comes to transaction flow. With physical cash, we can track gross transactions, the total volume of money exchanged, but we can never know the exact amount of money in circulation. For example, a QR100 bill may pass through several hands, yet the actual circulation of that QR100 remains unknown, despite us tracking the number of transactions.

With CBDCs, this traceability can be more precise, allowing central banks to know exactly how money flows through the economy and manage the money supply with greater accuracy. Furthermore, CBDCs streamline transactions by removing unnecessary intermediaries. This not only reduces costs and processing times but also strengthens central banks' ability to manage the economy during periods of financial instability.

In the past, central banks acted as lenders of last resort by providing liquidity to commercial banks, which would then distribute it to the economy. With CBDCs, this process can be done instantly by injecting liquidity directly into digital wallets, ensuring faster and more effective support during crises. By bypassing intermediaries, CBDCs can reduce transaction costs, making it more affordable for banks, businesses and consumers to conduct payments.

Another major benefit of CBDCs is their potential to improve financial inclusion. In many regions, people do not have access to traditional banking systems. CBDCs offer a way for governments to provide financial services to underserved populations. By directly issuing digital wallets, CBDCs can ensure that all citizens have access to essential financial services, including payments and savings.

While concerns about privacy and accessibility remain, these challenges can be addressed in the design of CBDCs. Some critics worry that CBDCs could give central banks too much control over personal transactions. However, privacy and transparency can coexist. CBDCs can include safeguards to ensure only essential data is collected. This protects individuals' privacy while helping to monitor to prevent illegal activities.

Concerns about technology accessibility are also valid, but the adoption of CBDCs can happen gradually. Initially, CBDCs can be implemented for interbank use before expanding to the public, giving time for infrastructure development and ensuring that no one is left behind.

In conclusion, CBDCs represent a transformative step forward in the evolution of money. They combine the stability and trust of traditional banking with the speed and transparency of digital technology. By eliminating intermediaries, CBDCs can improve transaction efficiency, financial inclusion, and economic stability.

As central banks continue to develop and refine these systems, CBDCs will become an increasingly integral part of the global financial system, paving the way for a more secure and efficient future of money.

In fact, the Qatar Central Bank has already started its investments in CBDCs.

■ *Abdulla Ali al-Siddiqi al-Emadi is a Finance and Economics honor student at Qatar University.*

US rate concerns drag QSE 185 points; M-cap erodes QR10.18bn

By Santhosh V Perumal
Business Reporter

The foreign institutions were seen increasingly net profit takers as the 20-stock Qatar Index rose 1.78% to 10,219.69 points, although it touched an intraday high of 10,408 points

Inflation worries and expected higher interest regime in the US on account of latest job data had their reflection on the Qatar Stock Exchange (QSE), which yesterday saw its key index plummet as much as 185 points and capitalisation erode more than QR10bn.

The foreign institutions were seen increasingly net profit takers as the 20-stock Qatar Index rose 1.78% to 10,219.69 points, although it touched an intraday high of 10,408 points.

An across the board selling – notably in the banking and telecom counters - was visible in the main bourse, whose capitalisation eroded QR10.18bn or 1.68% to QR600.42bn on the back of large and midcap segments.

As much as 96% of the traded constituents were in the red in the main market, which saw a total of 0.01mn exchange traded funds (sponsored by AlRayan Bank and Doha Bank) valued at QR0.06mn change hands across seven transactions.

The Gulf institutions' weakened net buying had its effect on the main bourse, whose trade turnover and volumes were on the rise.

The Islamic index was seen declining slower than then the other indices in the main bourse, which saw no trading of treasury bills.

However, the local retail investors were seen bullish in the main market, which saw no trading of sovereign bonds. The Total Return Index shed 1.78%, the All Share Index by 1.67% and the All Islamic Index by 1.64% in the main market.

The telecom sector index tanked 2.54%, banks and financial services (1.95%), transport (1.55%), industrials (1.37%), consumer goods and services (1.36%), real estate (0.47%) and insurance (0.16%).

Major losers in the main market included Industries Qatar, Ooredoo, Qatar Islamic Bank, QIIB, Ezdan, Qatari Investors Group, Widam Food, Alijarah Holding, Mesaieed Petrochemical Holding, Gulf Warehousing, Nakilat, Milaha and Salam International Investment. In the junior bourse, both Al Mahhar Holding and Techno Q saw their shares depreciate in value.

Nevertheless, Doha Insurance and Vodafone Qatar were the two gainers in the main market.

The foreign institutions' net selling increased significantly to QR71.34mn compared to QR8.82mn on January 12.

The Gulf institutions' net buying weakened noticeably to QR1.65mn against QR11.72mn the previous day.

However, the Qatari individuals turned net buyers to the tune of QR40.47mn compared with net sellers of QR0.83mn on Sunday.

The domestic institutions were net buyers to the extent of QR13.4mn against net sellers of QR0.53mn on January 12.

The Arab individuals turned net buyers to the tune of QR7.67mn compared with net profit takers of QR0.09mn the previous day. The foreign retail investors were net buyers to the extent of QR7.14mn against net sellers of QR0.19mn on Sunday. The Arab institutions turned net buyers to the tune of QR0.58mn compared with no major net exposure on January 12.

The Gulf individual investors were net buyers to the extent of QR0.43mn against net sellers of QR1.27mn the previous day.

Trade volumes in the main market soared 60% to 141.17mn shares and value by 91% to QR415.24mn on more than doubled transactions to 17,257.

The venture market saw trade volumes grow six-fold to 0.54mn equities and value by more than five-fold to QR1.34mn on more than doubled deals to 33.

AlRayan Bank successfully integrates with QA-RTGS

AlRayan Bank, in partnership with ProgressSoft, has successfully integrated with the Qatar Central Bank (QCB)'s new Real-Time Gross Settlement system (QA-RTGS), setting new standards for efficiency, security, and reliability in the banking sector.

The integration aligns with the bank's commitment to fully complying with QCB's latest regulatory requirements and adopting the latest technologies to deliver faster, more secure, and more reliable banking services for its clients, while fully supporting QCB's visionary initiatives to strengthen Qatar's financial ecosystem.

This was achieved through the implementation of ProgressSoft's Payments Hub RTGS Module, facilitating the settlement of high-value interbank transactions in real time, and providing a secure, efficient, and scalable solution capable of managing growing transaction volumes with zero disruption to its banking services.

"By embracing advanced technologies and aligning with the QCB's innovative initiatives, we continue to enhance the efficiency, security, and reliability of our services. This achievement underscores our commitment to supporting Qatar's financial ecosystem and empowering our clients with seamless, real-time banking experiences," said Fahad bin Abdullah al-Khalifa, Group chief executive officer of AlRayan Bank.

The implementation is fortified with robust security standards, including ISO 20022, to safeguard transactional data and enable secure high-value payment capabilities. It also enhances customer service efficiency and the ability to meet the evolving needs of the market in a reliable and scalable approach.

"This achievement highlights our shared commitment to innovation and excellence in advancing Qatar's financial infrastructure," according to Amjad Zawyani, ProgressSoft Qatar's country manager.

AlRayan Bank and ProgressSoft remain committed to supporting Qatar's ongoing financial transformation.

US announces new curbs on AI chip exports

AFP
Washington

The US unveiled new export rules yesterday on chips used for artificial intelligence (AI), furthering efforts to make it tough for China and other rivals to access the advanced technology in Joe Biden's final days as president.

The restrictions build on curbs announced in 2023 on exporting certain AI chips to China, which the US sees as a strategic competitor, drawing fiery pushback from Beijing. In recent years, Washington has expanded its efforts to curb exports of state-of-the-art chips to China, which can be used in AI and weapons systems, as Beijing's tech advancements spark concern among policymakers.

"The US leads the world in AI now — both AI development and AI chip design — and it's critical that we keep it that way," Commerce Secretary Gina Raimondo told reporters. The new rules update controls on chips, requiring authorisations for exports, re-exports and in-country transfers — while also including a series of exceptions for countries considered friendly to the US.

AI data centres meanwhile will need to comply with enhanced security parameters to be able to import chips.

China's Commerce Ministry called the announcement "a flagrant violation" of international trade rules, vowing that Beijing would "firmly safeguard" its interests. The latest move also drew industry criticism and warnings that it would hurt US competitiveness. Semiconductor Industry Association chief executive John Neuffer said: "We're deeply disappointed that a policy shift of this magnitude and impact is being rushed out the door days before a presidential transition and without any meaningful input from industry."

Treasuries sell-off ripples through world markets after jobs data

Bloomberg
Washington

Treasuries extended their drop after Friday's blowout employment report strengthened speculation that the Federal Reserve is poised to pause its interest-rate cuts for virtually all of this year.

Yields on benchmark US 10-year notes edged up yesterday to hover near the highest since late 2023 at about 4.77%, capping a more than percentage-point jump since mid-September.

Meanwhile, the 30-year yield headed back toward 5% after breaching that level on Friday for the first time in more than a year. The movements were spurred by jitters around persistent inflation and ballooning government debt, leading futures traders to wager that the Fed is unlikely to ease monetary policy again until late 2025. A continued spike in oil prices is also adding to concerns that inflation may push higher.

"We are seeing 2024 went out with a bang, the labour market continued to be solid and resilient," said Kevin Flanagan, head of fixed income strategy at WisdomTree. "It's probably just a matter of days or weeks when the 10-year joins the 5% trifecta."

Oil prices rose sharply on Friday, with increases continuing Monday after the US announced the most sweeping and aggressive sanctions yet on Russia's oil trade.

Markets were given further evidence of the resilience of the US economy on Friday as non-farm payrolls increased 256,000 in December, the most since March and above all-but-one forecast in a Bloomberg survey of economists.

Swaps traders are now pricing in just one quarter-point rate cut from the Fed this year, a shift from before Friday's jobs data, when they were still giving strong odds to two such moves. The quarter-point reduction isn't fully priced until around October.

A plethora of Wall Street economists also scaled back or scrapped forecasts for additional Fed rate cuts this year. Economists at Barclays shifted down to forecasting one quarter-point reduction from a previous call for two, while those at Citigroup Inc. pushed out the next cut to May from January. At JPMorgan Chase & Co, the economics team now sees two quarter-point reductions this year after previously forecasting three.

The high yields, however, have drawn some dip-buying, helping pull yields down from their early morning highs yesterday. Still the overall recalibration of the Fed outlook has rippled across global markets, with a gauge of the dollar surging to a two-year high and European bonds under pressure.

"The big question for the market now is whether the Fed really needs to cut at all this year," said Chris Turner, head of foreign-exchange strategy at ING. "Dollar strength and firm US yields are pressure-testing the financial system."

"Jitters in the bond market are likely to persist, or even intensify, as investors brace for this week's US inflation numbers. The surge in bond yields is putting US equities as well as broader risk assets vulnerable to further declines," says Mark Cranfield, strategist at Bloomberg.

Traders are now questioning how much higher US yields can go, with some even pondering the possibility that the Fed will start raising rates again. Attention will turn to producer-price data on Tuesday and then consumer-price figures on Wednesday.

"Inflation is really that key data point this week," said Laura Cooper, global investment strategist at Nuveen, on Bloomberg TV. "For the market narrative, the risk is that it shifts to rate hikes."