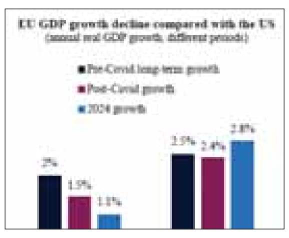

QNB COMMENTARY | Page 4
Significant 'upside potential' for EU growth over next few years

Sunday, March 30, 2025
Shawwal 1, 1446 AH
GULF TIMES
BUSINESS

STELLAR RUN : Page 3
European banks have best quarterly streak since financial crisis

From left: Hassan Abdullah al-Marzouqi, Director General of the General Directorate of Endowments at Awqaf; Prof Dr Khalid bin Ibrahim al-Sulaiti, Chairman of the Organising Committee and Vice-Chairman of Bait Al-Mashura Finance Consultations; and Talal Ahmed al-Khaja, Group Chief Communications Officer at Dukhan Bank.

Future of Islamic finance in light of blockchain and AI integration on spotlight at Doha conference

11th Doha Islamic Finance Conference to be held on April 8 under the patronage of HE the Prime Minister and Minister of Foreign Affairs, Sheikh Mohammed bin Abdulrahman bin Jassim al-Thani

The future of Islamic finance in light of the integration of blockchain and artificial intelligence (AI) will be on the spotlight at the 11th Doha Islamic Finance Conference to be held on April 8.

The conference under the theme 'Integration of Blockchain and AI: The Future of Islamic Finance' will be held under the patronage of HE the Prime Minister and Minister of Foreign Affairs, Sheikh Mohammed bin Abdulrahman bin Jassim al-Thani.

Organised by Bait Al-Mashura Finance Consultations, the conference is supported by the official sponsorship of the Ministry of Commerce and Industry (MoCI), strategic partnership of Dukhan Bank, diamond sponsorship of General Directorate of Endowments and Islamic Affairs, and bronze sponsorship of the Qatar Financial Centre (QFC).

Prof Dr Khalid bin Ibrahim al-Sulaiti, Chairman of the Organising Committee and Vice-Chairman of Bait Al-Mashura Finance Consultations, said: "Today, the world is witnessing the trajectory of a new revolution driven by the integration of blockchain and AI, adding complexity while opening broader horizons for more efficient, transparent, flexible, and sustainable solutions.

"After decades of growth, leadership, development, and innovation, Islamic finance has established itself as one of the inspiring economic models capable of adapting to global changes. It has achieved a creative synergy between Shariah principles and financial innovation. With the emerging integration of blockchain and AI, Islamic finance stands at a historic crossroads, poised to develop a modern model for smart and sustainable Islamic finance, one that balances innovative technologies with the values of Islamic economics and enables it to compete in the digital financial world."

"Through this 11th conference, we aim to anticipate the future of Islamic finance in light of the integration of blockchain and AI by analysing the future prospects of this technological synergy. This includes examining Shariah rulings and regulatory challenges in a rapidly evolving digital environment and fostering innovation and creativity by adopting decentralised AI-based solutions to develop Islamic financial products, particularly endowments (Awqaf). The conference uniquely addresses complex topics, such as the investment opportunities for Islamic financial institutions in the gaming and e-sports sectors and explores experiences and initiatives of decentralised Islamic finance platforms built on values that enhance security and privacy. It aims to identify the Shariah and legal frameworks for incorporating AI and blockchain in Islamic finance, support and protect the management of endowments (Awqaf) using decentralised AI, and unlock investment and innovation opportunities in Shariah-compliant decentralised digital solutions. Additionally, it seeks to develop decentralised Islamic finance platforms that ensure security, privacy, and augment value chains."

Prof Dr al-Sulaiti praised Qatar's pioneering role in the Islamic finance industry, positioning it as a global benchmark for innovation and a premier hub for Shariah-compliant financial services. He attributed this to Qatar's strategic location, the rising demand for Islamic financial services and products, a conducive operational environment, and a robust regulatory and legislative framework that supports the sector. Furthermore, he highlighted the sustained economic momentum driven by Qatar's Third National Development Strategy and Qatar National Vision 2030, underscoring the nation's commitment to economic diversification and long-term financial sustainability.

Talal Ahmed al-Khaja, Group Chief Communications Officer at Dukhan Bank, underscored the bank's commitment to fostering innovation in Islamic finance, fintech, and AI through its strategic partnership with the 11th Doha Islamic Finance Conference. He reaffirmed Dukhan Bank's dedication to collaborating with this prestigious and influential platform that has been shaping the trajectory of Islamic finance on a global scale since its inception in 2010, organised by Bait Al-Mashura.

Hassan Abdullah al-Marzouqi, Director-General of the General Directorate of Endowments at Awqaf, Diamond Sponsor of the conference, underscored that the General Directorate of Endowments' sponsorship and participation in the 11th Doha Islamic Finance Conference reflect its commitment to fostering knowledge exchange and exploring the transformative potential of decentralised AI solutions.

Senyar Trading ends business ties with Al Baladi Holding

Senyar Trading & Distribution has announced the end of its business relationship with Al Baladi Holding within the framework of Al Faisal Al Baladi Holding, following several months of negotiations between the two companies.

This led to the decision to discontinue all commercial relations between the parties involved.

The decision comes as part of a strategic review conducted by Senyar Trading & Distribution, which concluded that there was a divergence in the visions and future directions of the two parties, in addition to differences in governance methodologies for managing business operations.

This resulted in the decision to amicably end the partnership in a way that serves the interests of each party individually.

In this context, Senyar Trading & Distribution has extended its thanks to the Al Baladi Group for its collaborative efforts during the past period and wished them continued success and prosperity in their future projects.

HSBC calls for agile investors to navigate global uncertainties, achieve long-term investment goals

Investors need to be agile to navigate global uncertainties to manage short-term risks and achieve their long-term investment goals, according to HSBC Global Private Banking's Investment Outlook.

The report, "Innovate or Stagnate", sets out how increased trade frictions and rapid AI-led innovation are among the major changes that are challenging markets, so high net worth and ultra high net worth clients need to adapt quickly to this fast-evolving world.

In Q1, the bank upgraded its outlook for Chinese stocks to positive and raised its allocation to eurozone equities to neutral. It maintains its medium-term optimism in the US, but diversifies across countries and sectors as opportunities spread. It further diversifies its portfolio strategy to address tail risks through high-quality bonds, hedge funds and gold.

Its four priorities going into Q2-2025 are:

Global AI adopters and electrification: Technology-driven earnings growth is moving from AI enablers to AI adopters. Rising energy consumption is driving investments in electricity generation capacity and the electric grid.

Multi-asset and active fixed income strategies: Diversification across asset classes, geographies and sectors offer global opportunities for improved risk-adjusted returns. The busy news flow lends itself to active managers.

Private markets and hedge funds: Private equity is well placed to benefit from M&A, and the AI boom will help smaller firms compete with established public market peers. Hedge funds can exploit volatility and relative value opportunities.

Domestic resilience in an evolving Asia: Asia's diverse markets present a broad range of opportunities, particularly in Indian, Singapore and Japanese stocks. Chinese stocks should benefit from AI-led innovation and reduced regulatory risks.

Willem Sels, Global Chief Investment Officer at HSBC Global Private Banking and Wealth, said: "While the global economy is facing challenges, it remains resilient as government and corporate spending is supporting economic activity, while innovation in AI is boosting productivity. Global central banks are also assisting by maintaining a monetary easing bias. The underperformance of the US in the year to date can at least in part be attributed to increased optimism in other countries and opportunities outside the tech sector."

Georgios Leontaris, Chief Investment Officer, Switzerland and EMEA, HSBC Global Private Banking and Wealth.

Georgios Leontaris, Chief Investment Officer, Switzerland and EMEA, HSBC Global Private Banking and Wealth, said: "Exceptionalism has often been associated with the US economy in recent years, however the same characterisation can be made about the non-oil economy in GCC countries, which is up almost 20% compared to pre-Covid levels led by strength in Saudi Arabia and UAE. Solid fundamentals and ample sovereign wealth buffers provide a cushion against external uncertainties. Structural reforms and multi-year investment programmes in infrastructure, technology and hospitality remain visible. We have recently upgraded our view on UAE equities as part of our drive to broaden geographical diversification, with undemanding P/E multiples offering a good entry point for international investors."

Philippines' DTI promotes collaboration between Filipino, Qatari enterprises

By Peter Alagos
Business Reporter

The Department of Trade and Industry (DTI) in the Philippines is keen on fostering partnerships between Filipino and Qatari companies, which could potentially lead to businesses in the Southeast Asian nation to expand their footprint by setting up operations Qatar, an official has said.

According to Vince Lorenzo Liwanag, the Commercial Attache of the Philippine Trade Investment Centre (PTIC) – Riyadh, Department of Trade and Industry, forging partnerships with companies and businesses in Qatar "is the first step".

Liwanag also underscored the importance of exploring the business climate of the country, studying potential investment ventures, and understanding the needs of the companies of both countries.

"Once these initial steps have been taken, we hope that partnerships, joint ventures (JVs), or specific structures will advance the potential business for both the Philippines and Qatar," Liwanag told *Gulf Times*.

Forging partnerships, access to international markets, and expanding operations in Qatar reflect the objectives of the DTI's Outbound Business Matching Mission (OBMM), which was held in Qatar last month, in collaboration with the Philippine embassy in Doha and Qatar Chamber.

Liwanag explained that the OBMM

Vince Lorenzo Liwanag, Commercial Attache of the Philippine Trade Investment Centre – Riyadh.

is one of the DTI's key initiatives to connect Filipino businesses with international partners. The Qatar leg of the OBMM was followed by a visit to Amman, Jordan; Riyadh, Saudi Arabia; and Dubai in the UAE.

In his speech during the OBMM, Qatar Chamber board member Abdulla bin Mohamed al-Emadi reaffirmed the chamber's commitment to facilitating partnerships and supporting Qatari businesses in identifying investment prospects in the Philippines.

Al-Emadi underscored the private sector's significant role in forging economic ties to advance trade partnerships, explore JVs, and secure potential investment opportunities. He said bilateral trade between the Philippines and Qatar stood at QR636mn in 2024, reflecting the growing partnership between the two nations.

He noted that Philippine-Qatar trade and investment have been "expanding rapidly", citing the visit of His Highness the Amir Sheikh Tamim bin Hamad al-Thani to the Philippines last year, where several memorandums of understanding (MoUs) and agreements were signed in the presence of both nations' leaderships.

Liwanag emphasised that the OBMM initiative aims to catalyse these types of engagements. "We're pleased with the outcome of the OBMM and we hope that this could trigger more meaningful interactions and partnerships that can drive progress and innovation between companies in the Philippines and Qatar," he said.

In 2023, Mekeni Food Corporation president Prudencio "Pruds" Garcia and Alwatania International Holdings CEO Hassan Alkhiyami signed a commercial agreement for the processing, distribution, and marketing of Mekeni products in Qatar.

Mekeni is headquartered in the Philippine province of Pampanga. Currently, Mekeni's halal 'Picnic Hotdog', 'Chicken Tocino', and 'Chicken Longanisa' brands are also available in the US, the UAE, Canada, Australia, Bahrain, Brunei, The Netherlands, and New Zealand.

"With Doha as our hub in the Gulf, plans are in the pipeline to expand our export target to more GCC countries, as well as those in Europe and other mainstream markets to give OFWs and Filipinos living permanently abroad a taste of world-class Filipino food products in the hope that we can somehow fill the void of missing home," Garcia said.

BUSINESS

The Qatar Stock Exchange (QSE) index declined by 110.73 points, or 1.1%, during the week to close at 10,232.95. Market capitalisation declined 0.8% to QR600.7bn from QR605.8bn at the end of the previous trading week. Of the 53 traded companies, 10 ended the week higher and 43 ended lower. Mekdam Holding Group (MKDM) was the worst performing stock for the week, dropping 19.3%. Meanwhile, Estithmar Holding (IGRD) was the best performing stock for the week, gaining 6.7%.

Industries Qatar (IQCD), Nakilat (QGTS) and Commercial Bank (CBQK) were the main contributors to the weekly index drop. IQCD and QGTS removed 30.34 and 9.70 points from the index, respectively. CBQK subtracted another 9.04 points from the index.

Traded value during the week decreased 28.7% to reach QR1,583.1mn from QR2,221.3mn in the prior trading week. QNB Group (QNBK) was the top value traded stock during the week with total traded value of QR168.3mn.

Traded volume fell 31.7% to 587.8mn shares compared with 861.1mn shares in the prior trading week. The number of transactions declined 48.1% to 71,475 vs 137,814 in the prior week. Ezdan Holding Group (ERES) was the top volume traded stock during the week with total traded volume of 60.5mn shares.

Foreign institutions remained bearish, ending the week with net selling of QR145.1mn vs net selling of QR227.2mn in the prior week. Qatari institutions remained bullish with net buying of QR160.6mn vs net buying of QR185.4mn in the week before. Foreign retail investors ended the week with net selling of QR4.0mn vs net buying of QR15.1mn in the prior week. Qatari retail investors recorded net selling of QR11.5mn vs net buying of QR26.7mn.

Global foreign institutions are net sellers of Qatari equities by $327.6mn YTD, while GCC institutions are also net shorts by $80.5mn.

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QNB FINANCIAL SERVICES

Weekly Market Report

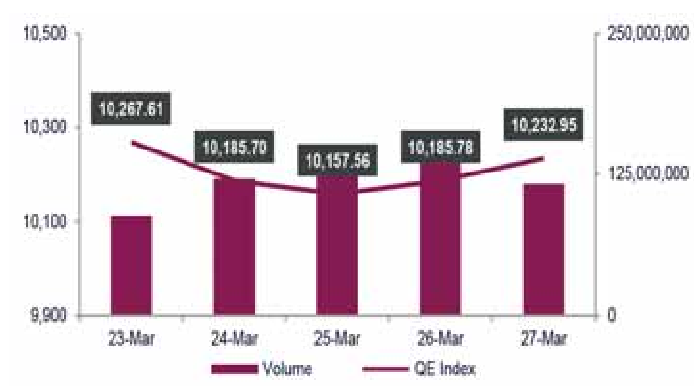
Market Indicators	Week ended. March 27, 2025	Week ended. March 20, 2025	Chg. %
Value Traded (QR mn)	1,583.1	2,221.3	-28.7%
Exch. Market Cap. (QR mn)	600,704.0	605,841.1	-0.8%
Volume (mn)	587.8	861.1	-31.7%
Number of Transactions	71,475	137,814	-48.1%
Companies Traded	53	52	1.9%
Market Breadth	10:43	31:20	–

Source: Qatar Stock Exchange (QSE)

Market Indices	Close	WTD%	MTD%	YTD%
Total Return	24,140.48	(0.4)	(0.7)	0.1
ALL Share Index	3,758.69	(0.5)	(1.0)	(0.4)
Banks and Financial Services	4,592.39	(0.3)	(2.0)	(3.0)
Industrials	4,276.90	(1.0)	(1.1)	0.7
Transportation	5,635.67	0.7	3.8	9.1
Real Estate	1,574.51	(1.0)	0.2	(2.6)
Insurance	2,218.56	(3.8)	(4.8)	(5.5)
Telecoms	1,962.70	(0.6)	0.2	9.1
Consumer Goods & Services	7,802.91	(0.4)	1.7	1.8
Al Rayan Islamic Index	4,895.24	(0.2)	0.0	0.5

Source: Qatar Stock Exchange (QSE)

QSE Index and Volume



Source: Qatar Stock Exchange (QSE)

Weekly Index Performance

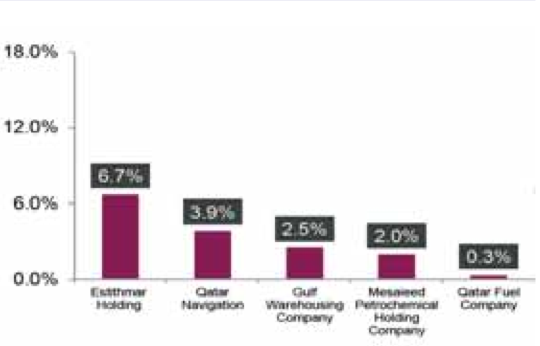
Source: Bloomberg

Regional Indices	Close	WTD%	MTD%	YTD%	Weekly Exchange Traded Value ($ mn)	Exchange Mkt. Cap. ($ mn)	TTM P/E**	P/B**	Dividend Yield
Qatar*	10,232.95	(1.1)	(2.0)	(3.2)	435.15	166,182.2	11.2	1.2	4.9
Dubai	5,120.4	(0.2)	(3.7)	(0.7)	465.67	243,755.8	9.1	1.4	5.0
Abu Dhabi	9,390.5	0.2	(1.8)	(0.3)	1,202.53	728,345.8	20.9	2.5	2.3
Saudi Arabia#	12,025.05	(0.1)	(3.3)	(2.7)	1,215.0	2506,649.5	17.7	2.3	3.7
Kuwait	8,074.04	1.1	(0.3)	9.7	1,315.83	168,260.0	17.3	1.9	2.9
Oman	4,367.03	(1.0)	(1.6)	(4.6)	64.44	32,347.0	9.6	0.8	6.0
Bahrain	1,951.36	(0.5)	(0.5)	(1.7)	87.24	20,118.0	14.5	1.3	9.1

Source: Bloomberg

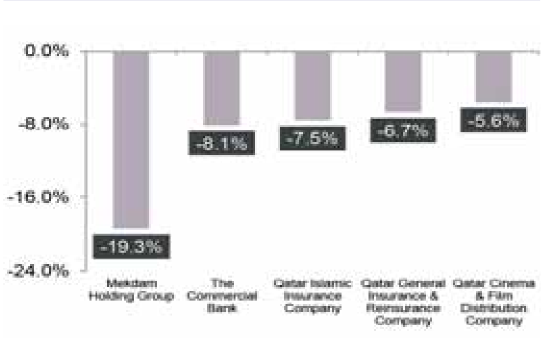
Qatar Stock Exchange

Top Five Gainers



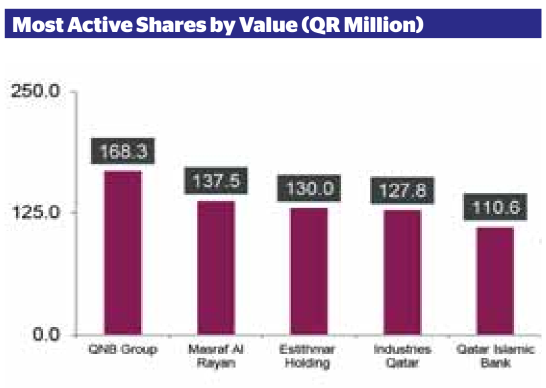
Source: Qatar Stock Exchange (QSE)

Top Five Decliners



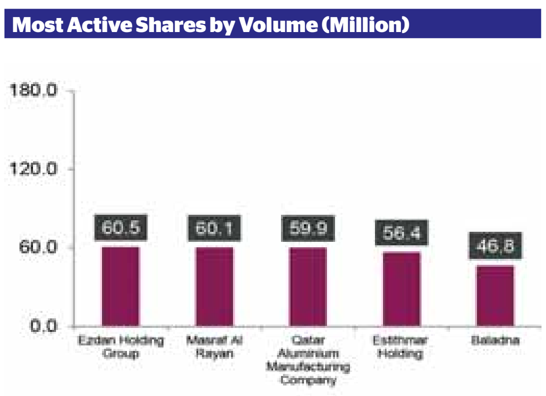
Source: Qatar Stock Exchange (QSE)

Most Active Shares by Value (QR Million)



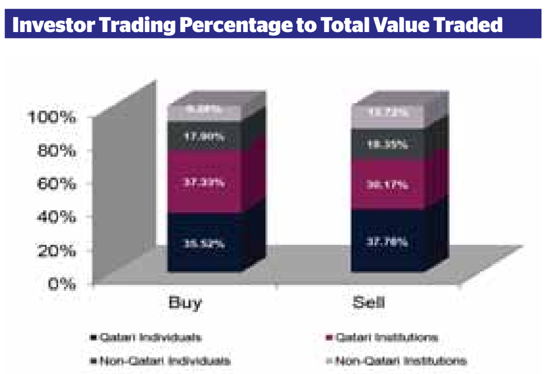
Source: Qatar Stock Exchange (QSE)

Most Active Shares by Volume (Million)



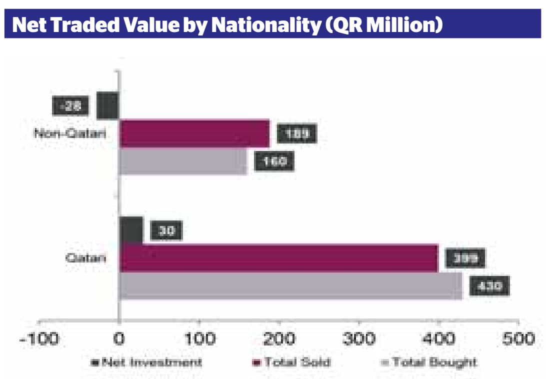
Source: Qatar Stock Exchange (QSE)

Investor Trading Percentage to Total Value Traded



Source: Qatar Stock Exchange (QSE)

Net Traded Value by Nationality (QR Million)



Source: Qatar Stock Exchange (QSE)

Company Name	Price March 27	% Change Weekly	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	16.10	(0.06)	(6.88)	148,706	9.5	1.6	4.3
Qatar Islamic Bank	20.57	(0.15)	(3.70)	48,606	11.1	1.8	3.9
Commercial Bank of Qatar	4.18	(8.09)	(3.91)	16,918	5.9	0.8	7.2
Doha Bank	1.92	0.05	(3.52)	5,956	7.3	0.6	5.2
Al Ahli Bank	3.39	0.06	(1.74)	8,648	10.2	1.2	7.4
Qatar International Islamic Bank	10.20	(1.64)	(6.42)	15,440	13.4	2.1	4.9
Al Rayan Bank	2.25	(1.79)	(8.65)	20,925	14.3	0.9	4.4
Lesha Bank	1.25	0.24	(7.46)	1,403	10.9	1.0	4.0
National Leasing	0.71	(2.34)	(8.97)	351	20.5	0.5	4.9
Dlala Holding	1.01	(3.98)	(11.84)	193	N/A	1.0	N/A
Qatar & Oman Investment	0.65	(3.56)	(7.41)	205	N/A	0.9	N/A
Islamic Holding Group	3.55	(0.67)	(6.29)	201	15.8	1.2	2.0
Dukhan Bank	3.53	(2.65)	(4.41)	18,487	14.5	1.4	4.5
Banking and Financial Services				**286,039**			
Zad Holding	14.77	(0.74)	4.23	4,245	20.7	3.1	4.4
Qatar German Co. for Medical Devices	1.34	(2.97)	(2.26)	155	N/A	4.4	N/A
Salam International Investment	0.65	(2.27)	(2.27)	737	14.3	0.5	6.2
Baladna	1.17	(1.35)	(6.41)	2,226	12.8	1.0	5.6
Medicare Group	4.52	(1.29)	(0.62)	1,273	13.5	1.3	4.9
Qatar Cinema & Film Distribution	2.41	(5.57)	0.33	151	36.2	1.1	2.9
Qatar Fuel	14.85	0.34	(1.00)	14,765	14.0	1.6	6.7
Widam Food	2.23	(2.37)	(5.15)	401	N/A	4.0	N/A
Mannai Corp.	3.51	(3.41)	(3.52)	1,601	N/A	1.7	7.1
Al Meera Consumer Goods	15.09	(0.40)	3.93	3,109	16.9	1.9	5.6
Mekdam Holding Group	2.87	(4.35)	(5.42)	544	12.5	2.0	N/A
Meeza QSTP	2.96	(0.34)	(9.50)	1,924	31.8	2.7	2.7
Al Faleh Education Holding	0.70	(3.34)	0.00	167	13.4	0.6	2.7
Al Mahhar Holding	2.36	(1.79)	(3.84)	488	N/A	1.4	4.2
Consumer Goods and Services				**31,785**			
Qatar Industrial Manufacturing	2.50	(0.60)	(0.32)	1,189	7.7	0.6	5.2
Qatar National Cement	3.51	(0.76)	(12.79)	2,291	14.3	0.8	7.7
Industries Qatar	12.89	(2.05)	(2.86)	77,985	17.4	2.1	5.7
Qatari Investors Group	1.48	(4.64)	(3.77)	1,840	11.1	0.6	8.8
Qatar Electricity and Water	14.88	0.07	(5.22)	16,368	11.6	1.1	5.2
Aamal	0.88	(2.65)	3.04	5,544	12.8	0.7	N/A
Gulf International Services	3.07	(0.93)	(7.63)	5,713	8.0	1.3	5.5
Mesaieed Petrochemical Holding	1.44	1.99	(3.81)	18,066	25.3	1.1	4.0
Estithmar Holding	2.35	6.69	38.39	8,781	21.6	1.7	N/A
Qatar Aluminum Manufacturing	1.27	(1.94)	4.37	7,059	11.5	1.0	6.3
Industrials				**144,835**			
Qatar Insurance	1.84	(4.47)	(13.42)	6,003	9.0	0.9	5.4
QLM Life & Medical Insurance	1.90	(3.50)	(7.94)	665	10.1	1.0	5.3
Doha Insurance	2.40	(0.91)	(4.08)	1,199	6.3	0.9	7.3
Qatar General Insurance & Reinsurance	1.06	(6.67)	(7.81)	930	29.9	0.3	N/A
Al Khaleej Takaful Insurance	2.29	(2.89)	(4.35)	583	7.7	0.9	6.6
Qatar Islamic Insurance	8.36	(7.54)	(3.64)	1,254	8.7	2.2	6.0
Damaan Islamic Insurance Company	3.82	(1.55)	(3.39)	764	9.0	1.4	5.2
Insurance				**11,399**			
United Development	1.03	0.10	(8.55)	3,636	13.8	0.3	5.4
Barwa Real Estate	2.64	(1.82)	(6.71)	10,273	8.3	0.5	6.8
Ezdan Real Estate	0.98	(0.51)	(7.58)	25,888	307.7	0.8	N/A
Mazaya Qatar Real Estate Development	0.57	(1.39)	(3.08)	566	N/A	0.6	N/A
Real Estate				**40,364**			
Ooredoo	11.80	(0.25)	2.16	37,798	11.0	1.3	5.5
Vodafone Qatar	1.97	(1.75)	7.38	8,306	13.8	1.6	6.1
Telecoms				**46,104**			
Qatar Navigation (Milaha)	10.99	3.88	0.00	12,486	11.1	0.7	3.6
Gulf Warehousing	3.10	2.55	(8.04)	182	10.6	0.7	3.2
Qatar Gas Transport (Nakilat)	4.67	(1.50)	12.44	25,845	15.8	1.9	3.0
Transportation				**38,513**			
Qatar Exchange				**600,704**			

Source: Bloomberg

Technical analysis of the QSE index

Source: Bloomberg

The QSE index closed down by 1.1% from last week on lower volumes at 10,232 points. Nothing has changed in our thesis; the index remains inside the broader flat price-range, moving in no specific direction for the past two years. The index is close to our resistance around the 10,850 points. The weekly resistance level remains around the 10,850 points and the support is at 10,000 points.

Definitions of key terms used in technical analysis

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

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

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

European banks have best quarterly streak since financial crisis

Bloomberg
Frankfurt

The rally in European banking stocks shows few signs of cooling down after another stellar quarter.

The Stoxx 600 Banks Index has surged 25% this year, its best three months since 2020. That's made it the top-performing sector in Europe by far as investors keep increasing their exposure, and strategists see more gains ahead.

Their appetite is being driven by series of factors: Firstly strong earnings seasons, hefty share buybacks and M&A potential, and now massive public spending plans that will probably keep European interest rates high. Over a 10-quarter winning streak — the longest since before the financial crisis — banks have returned over 160% including dividends, triple the 52% for the broader Stoxx Europe 600.

Deutsche Bank headquarters in the financial district of Frankfurt. The Stoxx 600 Banks Index has surged 25% this year, its best three months since 2020. That's made it the top-performing sector in Europe by far as investors keep increasing their exposure, and strategists see more gains ahead.

"The operating environment is very different today to almost any time over the past 20 years – we have banks talking about loan growth again, an upward sloping yield curve and governments at least talking about reducing the regulatory burden," said Keefe, Bruyette & Woods's head of European bank research Andrew Stimpson. "That likely means there is still more good news."

Following this run, some bears had expected lenders' outperformance to start fading, particularly as central banks are now cutting rates. Instead earnings have proved their business remains resilient, while buyback programs are also driving up shares. The likes of Societe Generale SA, Commerzbank AG and Banco Santander SA — repurchasing their own shares — have climbed more than 40% this year.

The latest tailwind has been Germany passing a landmark spending package, creating a potentially unlimited supply of money to rearm to deter Russia. It will also set up a €500bn ($540bn) fund to invest in the country's ageing infrastructure. The country's banks are set to benefit, with Deutsche Bank AG jumping 35% this year to trade near 10-year highs.

"The shift in fiscal policy will likely drive a stronger outlook for loan growth given the increased government expenditure on defence, infrastructure, and state/local projects," JPMorgan Chase & Co analysts led by Kian Abouhossein wrote in a note. They expect a long term re-rating for lenders in the region.

The geopolitical landscape, along with cooling inflation, are reducing the chances of the European Central Bank cutting rates below 1.5%, implying less pressure on lending revenue, the JPMorgan analysts said. While the ECB this month lowered rates for the sixth time since June, it indicated its cutting phase may be drawing to a close.

The combination of lower rates and longer-term government borrowing plans has steepened the German bond yield curve the most since 2021. That means banks are able to borrow money at a lower cost and lend at higher rates.

Investors keep upping their exposure. According to Bank of America Corp's European fund manager survey this month, positioning in financials has increased, with banks now the largest sector overweight in Europe. And half of European investors think lenders still look attractive, up from 41% a month earlier, it found.

The last earnings season proved profitability remains robust. The sector delivered "another quarter of positive surprises," Jefferies analysts said, noting the solid performance of net interest income. The European Union's largest banks posted another record year for profit, while 20 banks in the region announced over €18 billion in share buybacks during the first two months of the year alone.

Mergers and acquisitions also remain a hot topic. Spain's BBVA SA is waiting for approval for its hostile bid for smaller lender Banco Sabadell SA, while Italy's UniCredit SpA has a move on both Commerzbank and Banco BPM.

Some analysts are questioning how long the positive fundamentals can last. After the series of stellar earnings seasons, profit growth is expected to plateau. The consensus for the sector sees very little return on average over the next 12 months, so the potential upside lies more with sentiment and valuation expansion.

US regulators plan to withdraw overhauls to anti-redlining rules

Bloomberg
Washington

Top US banking regulators plan to withdraw an overhauled rule meant to tackle redlining and boost lending to lower-income areas after industry groups sued to block the updated legislation last year.

The Federal Reserve, Federal Deposit Insurance Corp and the Office of the Comptroller of the Currency said they plan to rescind the Community Reinvestment Act final rule, which was issued in 2023 as an update to the decades-old legislation. The regulators intend to reinstate the prior CRA framework, they said in a statement on Friday.

"The agencies will continue to work together to promote a consistent regulatory approach on their implementation of the CRA," they wrote.

The effort to revamp the CRA — which was aimed at addressing discriminatory lending practices by banks and federal agencies — had faced criticism from both industry and consumer advocates. Banking trade groups sued regulators to block the overhauls last year, arguing they were complex and would actually discourage banks from lending. Meanwhile, critics have said the changes didn't go far enough.

President Donald Trump has been pushing to purge diversity, equity and inclusion policies from the federal government and corporate America, issuing executive orders banning the practice and asking agency heads to identify targets. The head of the US Federal Housing Finance Agency this week ordered an end to Fannie Mae and Freddie Mac programs designed to help economically or socially disadvantaged groups get on the housing ladder.

Under the rule, US banks are obligated to partner with and finance community groups and low-income borrowers to help reverse the effects of redlining, the practice that historically excluded minority groups from banking and real estate services.

In late 2023, regulators updated the rules to cover online and mobile banking services. That means the grades that regulators give firms for lending to low- and moderate-income communities won't be based just on the locations of physical branches. The overhaul also stiffened other criteria for big lenders. Banking trade groups had argued the new criteria for rating lending could make it too hard to achieve a high score.

The American Bankers Association, US Chamber of Commerce and the Texas Bankers Association were among the groups that filed the lawsuit against the regulators in the Northern District of Texas in February last year, asking the court to vacate the final rules. According to an FDIC document, the revamped rule was halted following the litigation.

The Federal Deposit Insurance Corp headquarters in Washington, DC. Top US banking regulators plan to withdraw an overhauled rule meant to tackle redlining and boost lending to lower-income areas after industry groups sued to block the updated legislation last year.

Significant 'upside potential' for EU growth over next few years: QNB

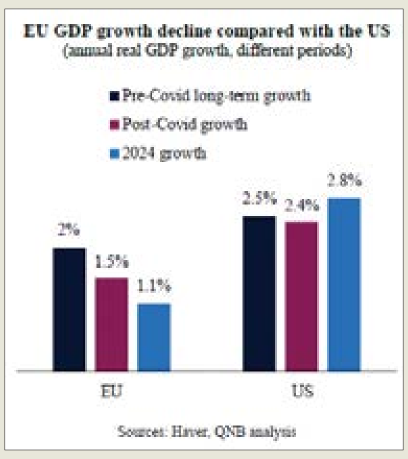
There is a significant upside potential for European Union growth over the next few years in view of a major shift in the EU fiscal stance, alongside continued monetary easing and positive investor expectations, according to QNB.

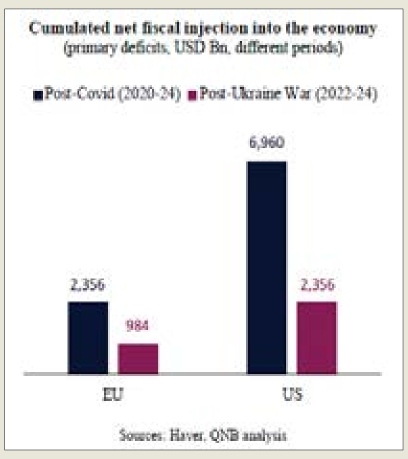
The European Union (EU) has been struggling with significant headwinds from a battery of deep and broad negative economic shocks over the last few years, QNB said in an economic commentary.

This included the aftermath of the pandemic, the Russo-Ukrainian conflict, the Chinese slowdown, and a lack of political cohesion for stronger policy stimulus or a bolder response to structural challenges.

While the Euro area as a whole was able to avoid a post-Covid recession, the economic bloc has been semi-stagnated, i.e., growing much below potential with several member countries, such as Germany, the Netherlands and Austria, having faced either an official recession or zero growth for a couple of quarters.

Importantly, the EU is also significantly underperforming the US. Moreover, reflecting conditions from earlier this year, analysts and economists were projecting further weakness ahead for the EU, with the Bloomberg consensus still pointing to below pre-Covid pandemic long-term growth of 2%, including projections of 1.3% for 2025 and 1.5% for 2026.





However, despite the negative momentum from the previous couple of years, there is room to be more positive about European growth over the short- and medium-term. Three main reasons support our view.

First, negative political and geopolitical events, such as the emergence of radical political parties and disputes within the Atlantic alliance with the US, created a "burning platform" that is requiring extraordinary fiscal actions from political leaders. In Germany, Friedrich Merz, leader of the new coalition government, aims to leverage most of the German mainstream political parties to "flexibilise" strict budget rules and enable the approval of a massive programme for defence and infrastructure spending, which still requires constitutional amendments.

This was also followed by a parallel movement at the EU level to expand the supranational EU budget and to allow member states to increase significantly their defence expenditures without triggering the "Excessive Deficit Procedure", unlocking more than EUR800bn in five years under the "ReArm Europe" slogan.

Such actions, QNB noted point to a massive change in fiscal policy stance within the EU, from restrictive to stimulative, suggesting a meaningful boost in aggregate demand and activity.

A significant part of the US economic outperformance in recent years versus the EU is explained by much more accommodative fiscal policies. In fact, the US has been consistently stimulating its economy with primary deficits that are 2.5x to 3x larger than EU deficits.

More fiscal flexibility in Germany and the EU should allow the bloc to stimulate more its economy while addressing the existing defence and infrastructure gaps, favouring growth.

Second, the European Central Bank (ECB) has started its easing cycle in June 2024 and is expected to enact further rate cuts this year. This comes on the back of the successful normalisation of inflation and inflation expectations, which are currently running close to the 2% ECB target.

The benchmark deposit facility interest rate has already been reduced by 150 basis points (bps) from a peak of 4%, and the market expects more 50 bps in cuts by the end of the year, taking the benchmark rate to 2%.

Over time, this should alleviate financial conditions, lowering credit costs and favouring both investments and consumption. Therefore, regional growth should also be supported by monetary policy.

Third, European markets are pointing to a significant increase in growth expectations, expressed by the "bullish" combination of higher equity prices, higher long-term yields, and an appreciating currency. Indeed, since the beginning of the year, the STOXX600 index of European equities is up 7.9%, while German 10-year yields are up by 50 bps and the EUR appreciated by 5.8% against the USD. "This is a sign of strong investor confidence in German and EU plans to credibly boost up regional defence and, in the process, prop up growth," QNB said.

Equity markets, in particular, suggest positive expectations for earnings growth and a sizeable improvement in business conditions.

This is even more remarkable in a context where US equity indices are under pressure and the new US administration is threatening to wage a "trade war" against many competitors and allies, including the EU, QNB added.

Wobbly US stocks face test with tariffs and jobs data

Reuters
New York

A rocky US stock market will be tested in the coming week by a pivotal deadline for President Donald Trump's tariff plans and an employment report that could reveal a slowing economy.

The S&P 500 was on pace for its second straight week of gains. Earlier this month, the benchmark index marked a correction, dropping more than 10% from its record high.

Despite the modest rebound, the index remains down almost 7% from its February 19 high as uncertainty over the health of the US economy and trade policy keeps investors on edge.

"April is going to have a lot of moving parts and probably a lot of volatility following a really difficult March," said Eric Kuby, chief investment officer at North Star Investment Management Corp. "There's a lot of information that could move markets in a variety of different directions." Investors have been hoping the coming days will clarify the tariff landscape.

Trump has pointed to April 2 for a broad batch of tariffs to be announced, including "reciprocal" levies on countries, calling it a "Liberation Day" for the US economy.

The tariff situation has led Wall Street analysts to pull back on economic and corporate earnings forecasts , while uncertainty over how trade policy will play out is weighing on businesses and consumers.

A survey this week showed US consumer confidence plunged in March to its lowest in more than four years, with households fearing a recession and higher inflation because of tariffs.

"Everybody wants clarity because however it plays out, it gives the roadmap and we're going to adapt, adjust," said Jack McIntyre, portfolio manager for Brandywine Global. "It's this cloud of uncertainty that's creating some angst." On Wednesday, Trump announced a 25% tariff on auto imports , a measure that could add thousands of dollars to the average cost of a vehicle in the US Shares in carmakers such as General Motors and Ford tumbled on Thursday.

Traders work on the floor of the New York Stock Exchange. A rocky US stock market will be tested in the coming week by a pivotal deadline for President Donald Trump's tariff plans and an employment report that could reveal a slowing economy.

Data from options analytics service ORATS show the equity options market pricing higher volatility for near-term S&P 500 option expirations, including contracts expiring on March 31 and April 4, compared to those further out.

"Traders are paying a premium for near-term protection," Matt Amberson, principal at ORATS, said.

After back-to-back years of gains of over 20%, the S&P 500 is logging a 3.24% decline so far in 2025 as the end of the first quarter nears. The index has lost its gains since Trump's November election, which had stoked excitement on Wall Street about the president's expected pro-growth agenda that has been deflated by worries over tariffs.

The forward price-to-earnings ratio on the S&P 500 has moderated to less than 21 times as of Wednesday, compared to about 22 to start the year, but remains well above its long-term average of 15.8, according to LSEG Datastream.

"We came into the year with an expensive market coupled with high expectations. And now we're getting uncertainty," said Jack Ablin, chief investment officer at Cresset Capital. "Those... don't work very well together." Tariff worries have compounded concerns about the US economic outlook. Investors will focus on the monthly US jobs report due on April 4. Employment growth is expected to have slowed in March to 128,000 from 151,000 in February, according to a Reuters poll. One focus on Wall Street is how much light the jobs data will shed on an effort led by Trump ally Elon Musk to reduce the federal government workforce.

The end of the first quarter on Monday could bring asset price fluctuations, as portfolio managers make last-minute adjustments. Investors also will begin eyeing the start of first-quarter earnings season, with reports arriving in earnest later in the month.

"We're generally in a risk off environment. That's been the tone since we've entered this correction phase," said Charlie Ripley, senior investment strategist for Allianz Investment Management. "So it remains to be seen whether we've seen the bottom."

CoreWeave whipsaws after heavily downsized $1.5bn IPO

Bloomberg
New York

CoreWeave Inc fluctuated between gains and losses in its market debut after the cloud-computing provider raised $1.5bn in a downsized initial public offering.

The company's stock opened at $39 each on Friday, 2.5% below the $40 per share initial public offering, before closing at the same price it sold shares to investors. The cloud-computing provider sold 37.5mn shares at $40 apiece, down from an initial plan of 49mn shares at $47-55 each that might have raised as much as $2.7bn.

Nvidia Corp, an existing investor in CoreWeave, anchored the share sale with an order of about $250mn, a person with knowledge of the matter told Bloomberg, asking not to be identified because the information was private. Representatives for Nvidia declined to comment.

Half of the shares sold in the IPO went to the three largest investors in the deal, other people familiar with the matter said. The top 15 investors in the IPO took 90% of the shares, the people said, asking not to be identified because the information isn't public.

Without the support of Nvidia, the IPO "wouldn't have closed," Chief Executive Officer Michael Intrator told Bloomberg News in an interview. "If 27 others didn't show up, it wouldn't have closed," he said, speaking after the IPO was priced at a volatile time for markets.

Investors have been dumping riskier assets as they grapple with tariff risks and inflation fears. The tech-heavy Nasdaq 100 slumped more than 2.5% on Friday, pulling it back 13% from a record last month.

Led by Intrator, CoreWeave was started in 2017 as a crypto-mining firm. It was an early adopter of Nvidia's graphics chips for data centres, getting ahead of a wave of demand for powerful processors to run AI applications. It's building out data centres based on Nvidia's chips to offer AI-related computing.

More than three quarters of CoreWeave's 2024 revenue was generated by business with its two biggest customers, one of which was Microsoft Corp.

This high concentration, coupled with the company's elevated debt and spending levels, has raised questions among some analyst about how sustainable CoreWeave's growth path is.

"CoreWeave is the largest in the new neocloud category, but we see it mostly as a highly levered way for Microsoft to offload less desirable workloads and Nvidia to leverage a small investment into a very large customer," DA Davidson & Co analyst Gil Luria wrote this week. "This structure may continue to work as long as demand for AI continues to grow exponentially."

The IPO was led by Morgan Stanley, JPMorgan Chase & Co and Goldman Sachs Group Inc. CoreWeave's shares are trading on the Nasdaq under the symbol CRWV.

Dollar rocked by Trump's assault on world economic order

Bloomberg
New York

As US stock prices tumbled this month, John Sidawi, a fund manager at Federated Hermes, noticed something strange.

The dollar, long a go-to hiding place during market selloffs, wasn't rallying this time as investors rushed for safety. It was sinking, too, and fast as hot money poured into gold, the yen, European stocks — almost anywhere but the US.

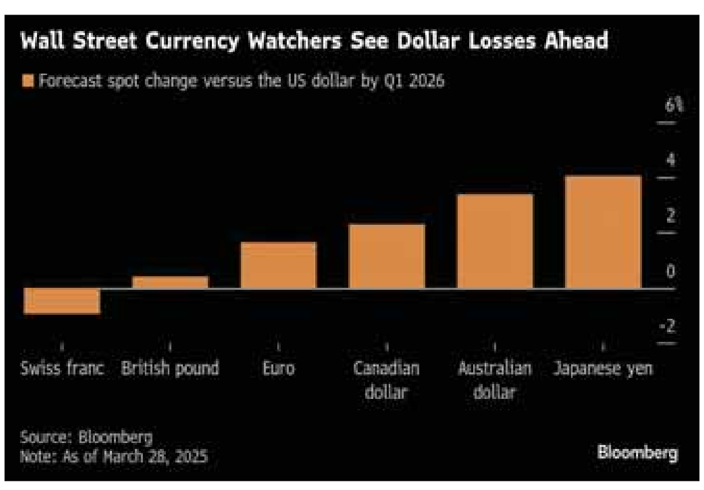
"It's unusual and very telling," said Sidawi, who helps oversee bond investments at the firm. "The dollar, in an environment where it should be acting like a safe haven, is not."

That, as with so much of the volatility that has whipsawed global markets recently, has a singular explanation: President Donald Trump.

Just two months into his second term, his escalating tariffs and bid to roll back decades of globalisation is shaking confidence in the US currency — which has had a privileged place at the heart of the world financial system for eight decades.

The dollar has dropped against all but a handful of the 31 major currencies over the last three months, sending Bloomberg's dollar index down nearly 3%, its worst start to a year since 2017. The price of gold — a rival haven — has surged to a record high of over $3,000 an ounce. By mid-March, speculative traders started betting against the dollar for the first time since Trump's election amid fear his policy shifts could drive the world's largest economy into a recession.

"As opposed to being the usual bastion of stability and first choice haven for foreign-exchange market operators, the greenback instead now stands as quite the opposite," said Michael Brown, a senior research strategist in London for Pepperstone, one of the largest currency brokerages. He said an increasing number of clients are asking "where should I be looking at as opposed to just switching on the autopilot and hiding in the dollar?"



The recent drop hasn't significantly eroded the strength of the dollar, given how much it had previously risen on the back of the nation's strong economy and elevated interest rates, and it could bounce back if worries about a global slowdown cause overseas investors to pile into US Treasuries.

It also remains solidly entrenched as the world's key currency, used for the majority of central bank reserves and for the purchase of commodities like oil, in large part because no significant alternative has emerged.

"The rise and fall of currencies is not something that occurs because you get a wildcard president that is doing his best to kill globalisation," said Carmen Reinhart, a Harvard University professor and former World Bank chief economist. "The dollar did not overtake the British pound as a reserve currency overnight."

But Trump's actions are rekindling long-simmering discussions about whether overseas governments will accelerate efforts to lessen reliance on the dollar. In Europe, leaders have seen it as an opportunity to strengthen the euro's role by creating more integrated, liquid markets that would allow the common currency to better rival the dollar.

In the developing world, a handful of countries have also periodically floated the idea of banding together to challenge the dollar's supremacy.

Trump has said he wants to maintain the dollar's central role globally, once threatening to retaliate against any country that tries to decouple its trade from the US currency. At the same time, during his campaign he indicated he'd welcome a weaker dollar because it would make US products more competitive. That's spurred speculation that he could be using his trade war to strong-arm governments into cutting a grand bargain that would do just that, though the White House hasn't publicly floated any such plans.

Yet those goals — of either maintaining the dollar's standing, or persuading other governments to act in the interest of the US — seem out of sync with Trump's isolationist agenda and approach that has alienated allies.

In a note to clients Thursday, Jane Foley, a strategist in London for Rabobank, said Trump's trade policies, pullback from military alliances, and casual talk of taking over Canada or Greenland "could accelerate the trend to de-dollarise and undermine the value" of the US currency.