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G20 finance leaders to stay vague on trade

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BUSINESS

TRADE TENSIONS: Page 8

Trump's Mexico reprieve offers rare good news for world economy

Aviation to benefit from global research to make air travel 'cleanest, less-polluting': Al-Baker

HE al-Baker: Air space administration should be made more efficient.

By Pratap John
Business Editor
Seoul

The global aviation industry may benefit from research by engine manufacturers that aims to make air travel one of the "cleanest and less-polluting" mode of transportation, says Qatar Airways group chief executive HE Akbar al-Baker.

"In this field there has been a lot of research and innovations. When you look at Boeing 737 Max, 777X (which is expected to be delivered from next year) and 787s and Airbus A320 neo and 350s, they all have huge emission reduction and reduction in fuel consumption," al-Baker said at a media event on the sidelines of IATA AGM in Seoul recently.

"I am confident about engine manufacturers putting a lot of research over the next two to three decades to ensure cleanest and less-polluting air travel," al-Baker said.

Although many governments are very keen to talk about emissions and carbon dioxide issues, al-Baker said they are making very little investments to improve the air traffic management (ATM).

"Air space administration should be made more efficient, letting airlines less time on air than keeping them on hold for a longer time. For instance, there are times when you can do point A to B in an hour, but due to the constraints imposed by regulators and of course, and at times, due to national security requirements, that one hour becomes one and a half hour. These issues have to be properly addressed in order for us to achieve the carbon emission targets that we have set for ourselves," noted al-Baker, who was IATA Board of Governors chairman for 2018-19.

IATA director general and CEO Alexandre de Juniac said modernising air traffic management could cut fuel burn if governments make investments to eliminate inefficiencies. He urged governments to continue the important work for full implementation of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) agreed through the UN's International Civil Aviation Organisation (ICAO).

CORSIA is the first global carbon pricing instrument for an industry sector. It will cap net CO_2 emissions from international aviation at 2020 levels, thereby achieving carbon-neutral growth, de Juniac said.

"Airlines know that effective plans to cut emissions are critical to earning their licence to meet the growing demands for air connectivity. In fact, the strongest demand growth is in the developing world, reflective of aviation's contribution to 15 of 17 of the UN's Sustainable Development Goals.

"CORSIA sets the stage by capping emissions at 2020 levels. Between 2020 and 2035 it will mitigate over 2.5bn tonnes of CO_2 and generate at least $40bn in finance for carbon reduction initiatives," de Juniac said.

QSE stock split takes effect today, to attract more retail investors

By Santhosh V Perumal
Business Reporter

Companies listed on the Qatar Stock Exchange will implement stock split from today, beginning with Commercial Bank and Qatar First Bank, a move that ought to attract more retail investors into the market.

The stock split, through which the nominal value of a share will become QR1 instead of the present QR10, is expected to expand the ownership base of listed companies as a result of the entry of new investors, who prefer to trade low-priced stocks.

The banking and financial services sector, which comprises 13 listed constituents, is the first to implement the stock split between June 9 and June 16.

Al khaliji, Dlala Holding and Qatar Oman Investment will implement stock split on June 10; QIIB and Alijarah Holding (June 11); QNB, Ahlibank Qatar and Islamic Holding (June 12); Qatar Islamic Bank and Doha Bank (June 13) and Masraf Al Rayan (June 16).

The consumer goods and services sector, which comprises nine constituents, has the June 17-20 window to implement the stock split.

Al Meera Consumer Goods and Mannai Corporation will implement the stock split on June 17; Widam Food, Zad Holding and Qatari German Company for Medical Devices (June 18); Woqod and Medicare Group (June 19); and Salam International Investment and Qatar Cinema (June 20).

The industrials sector, which consists of nine listed companies, has June 23 to June 26 for the implementation of the stock split.

Mesaieed Petrochemical Holding and Investment Holding will implement the split on June 23; Qatari Investors Group, Aamal Company and National Cement (June 24); Industries Qatar and Qatar Industrial Manufacturing (June 25); and Qatar Electricity and Water and Gulf International Services (June 26).

The insurance sector, which has five constituents, will have a two-day window to implement the stock split, starting from June 27 with Qatar Islamic Insurance and Qatar Insurance and Doha Insurance, followed by Qatar General and Reinsurance and Al Khaleej Takaful (June 30).

The real estate sector's window opens on July 1 and closes the next day. Barwa and Ezdan Holding will have to implement it on July 1 and United Development Company and Mazaya Qatar (July 2).

On July 3, both Ooredoo and Vodafone Qatar have to implement the stock split and on July 4, the transport sector comprising Nakilat, Gulf Warehousing and Milaha will have to do so.

Apart from Doha Bank and Masraf Al Rayan sponsored exchange traded funds QETF and QATR; the newly listed Qatar Aluminium Manufacturing Company will have to implement the stock split on July 7, 2019.

The stock split will result in enhanced free float, thereby increasing liquidity, leaving the paid-up capital intact. Shareholders do not need to take any action because of the stock split, which will not affect the company's market capitalisation or the proportionate ownership of existing shareholders.

Empirical studies in corporate finance indicate that the stock split is positive and indicates positive future performance, market sources said.

The QSE stock split will result in enhanced free float, thereby increasing liquidity, leaving the paid-up capital intact. **PICTURE:** Noushad Thekkayil

Qatar's first bank merger set to support economic growth: OBG

In April, Barwa Bank and IBQ announced finalisation of negotiations and clearance of regulatory requirements to consolidate their operations

Mirroring a trend seen across the Gulf, two lenders in Qatar announced the country's first bank merger in a move officials say will support economic growth and the development of the financial and private sectors, according to Oxford Business Group (OBG).

In April, Barwa Bank and International Bank of Qatar (IBQ) signalled the finalisation of negotiations and clearance of regulatory requirements necessary to consolidate operations.

The merged entity, which will operate as Barwa Bank, will have total assets of more than QR80bn and a shareholder equity base of over QR12bn.

Notably, the merger resulted in the consolidation of an Islamic bank – Barwa Bank – with conventional IBQ, with the new institution offering Shariah-compliant services, Barwa Bank said.

The tie-up is a significant step forward for Qatar's banking industry, according to Sheikh Mohammad bin Hamad bin Jassim al-Thani, chairman and managing director of Barwa Bank. "This merger... is a momentous milestone for the local banking sector, regional mergers and acquisitions (M&A) landscape, and Shariah-compliant banking industry," he said when announcing the finalisation of the deal.

The merger will create the third-largest Islamic and sixth-largest overall bank in Qatar, with the consolidated lender having a 5% share of the market, according to ratings agency Moody's.

The new bank, which will also be the ninth-largest Shariah-compliant lender in the GCC, is expected to benefit from lower funding costs and improved profitability, OBG said.

Qatar's banking sector is undergoing broader changes, as well, including a shift towards digital banking, which will likely see a reduction in branches and physical presence in the coming years.

This will impact all aspects of the industry, from retail and private banking, to investment and international banking, according to Dr R Seetharaman, CEO of Doha Bank, and could prompt further consolidation in the sector.

"Consolidation is a game-changer in the market," Seetharaman told OBG. "Globalisation and new cost structures, as well as digitalisation and consumerism, are pushing banks to redefine the business model in order to address pressures and sustain growth."

While mergers and acquisitions and the subsequent integration of infrastructure will create new opportunities and entities with increased capital, it is important to ensure shareholders remain satisfied and margins stay healthy, he added.

These changes will be imperative in creating a well-capitalised and resilient sector, especially in the aftermath of the blockade imposed by Qatar's regional neighbours.

Ratings agency Standard & Poor's (S&P) forecast a deterioration in asset quality and an increase in credit losses due to fallout of the blockade but anticipates the impact on the sector will be manageable.

"The Qatari banks' strong capital generation and funding profiles, backed by public sector deposits, should further support the banking system," S&P said in its last month assessment of the Qatari economy, projecting weaker asset metrics would recover in 2020. S&P noted investments related to infrastructure development would help cushion the economy.

It would seem to follow that this applies in particular to larger banks, such as the one created through the merger, which could have greater capacity for project finance.

Mergers are being utilised throughout the Gulf to shrink operational and funding costs, improve profitability and reinforce asset bases and risk-management capacity amid tighter market conditions and slower economic growth.

"The Barwa Bank-IBQ merger is in line with Qatar's blueprint for social and economic development, Vision 2030, released in 2008 after a sharp fall in oil prices. Vision 2030 aims to enhance financial and economic stability with low inflation rates, sound financial policy, and a secure and efficient financial system," OBG noted.

Fed monetary policy framework review a 'positive' development: QNB

US Federal Reserve's comprehensive review of its monetary policy framework is a "positive" development, QNB has said in an economic commentary.

First announced in November 2018, the review intends to engage Fed officials and other stakeholders in a discussion about monetary policy strategy, tools, and communication practices. While the review is expected to be wide-ranging, the scope is limited by the Fed's statutory mandate of maximum employment and price stability, QNB said.

Importantly, a long-term inflation objective of 2% is stated as a given, ruling out any discussions about changes in the inflation target level.

The format of the Fed's framework review involves a series of town-hall style meetings in "Fed Listens" events around the US. This includes the conference hosted by the Chicago Fed on June 4 and 5, when Fed officials met with top experts and community leaders to openly discuss monetary policy issues.

The review is expected to be finalised in one year with the publication of a report in the first half of 2020. Potential changes are of paramount importance and the bar is high for any meaningful innovation, as the existing framework is the result of decades of learning and fine-tuning.

The existing framework is a "flexible inflation target" strategy in which inflation should not deviate from 2% and employment should hover around its maximum level, which is currently estimated to take place when unemployment is below 4.3%.

The main monetary policy tool is the target range of the federal funds rate.

Under this framework, the inflation target is forward looking and the key objective is to anchor inflation expectations. The Fed responds to significant deviations in inflation or employment with changes in policy rates.

Periods of deflation, lower growth or higher unemployment call for rate cuts while periods of expansion and high inflation call for rate hikes. Despite the success of such a set-up during the decades preceding the Lehman Brothers collapse in 2008; three motivations are currently underpinning the ongoing review of the US monetary policy framework, QNB noted.

First, secular or long-run structural changes (ageing population, more risk averse behaviour, and slower productivity growth) are creating a capital glut that pushes neutral interest rates down. This threatens the effectiveness of the current monetary policy framework, raising concerns about the possibility of a deflationary trap, ie, a feedback loop of persistently low interest rates, limited monetary policy space, deeper and longer recessions, and persistently low inflation.

In fact, a lower neutral interest rate reduces the room for rate cuts in future recessions. Given that nominal rates cannot move much below the zero lower bound (ZLB), lower interest rates cap "policy ammunition," constraining the Fed's ability to counter a future downturn.

While monetary authorities have historically resorted to rate cuts of around 500 basis points (bps) during US recessions, the current "ammunition" stands at around 225 bps.

Second, the need to formally review and evaluate the use of unconventional monetary policy tools, especially the extraordinary ones deployed in response to the Global Financial Crisis and the Great Recession.

This includes both quantitative easing (QE or large-scale asset purchases) and forward guidance (central bank communication about the likely future path of policy rates). As US monetary policy started to "normalise" after 2015, the roles of unconventional tools in future policymaking became more uncertain.

Third, the timing is favourable for a comprehensive review, as the Fed is close to delivering the two objectives of maximum employment and price stability, despite the recent bout of risk-off sentiment as US trade disputes with key partners intensify.

Different measures of unemployment are close to multi-decade lows, while inflation and inflation expectations are now close to the 2% mark. This creates the ideal backdrop for an open discussion about the monetary policy framework, QNB said.

"It is still too early to grasp the likely conclusion of the Fed's framework review," QNB noted.

However, current debates and the commentary of Fed officials suggest that the review will produce "evolution rather than revolution" in US monetary policymaking. In terms of strategy, the most likely scenario will be the substitution of the "flexible inflation target" to a "makeup approach." The main difference between the two strategies is whether the past will be an indicator for the future or not.

The "flexible inflation target" is forward looking and therefore does not consider the past as a reference for the future, ie, bygones are bygones.

The "makeup approach" does consider the past as a reference for the future and therefore requires past deviations from the target to be compensated in the future, ie, a period of lower inflation requires another period of higher inflation and vice versa. In other words, the "makeup approach" requires the inflation target to be achieved over a multiyear period. Additionally, the review will likely consolidate unconventional measures, such as QE and forward guidance, into the Fed's permanent toolkit.

All in all, the Fed's framework review is a "positive" development, it said.

G20 finance chiefs to warn of trade risks, differ on how 'pressing'

Reuters
Fukuoka, Japan

Global trade tensions threaten an expected pick-up in economic growth this year and in 2020, a draft communique by the world's financial leaders showed yesterday, but the policymakers were divided on whether the need to resolve them was "pressing".

Finance ministers and central bank governors of the world's 20 biggest economies, the G20, are meeting in the southern Japanese city of Fukuoka to discuss the global economy amid rising trade tensions between China and the United States.

"Global growth appears to be stabilising and is generally projected to pick up moderately later this year and into 2020," the draft G20 communique, seen by Reuters, said. "However... risks remain tilted to the downside.

These include, in particular, intensified trade and geo-political tensions," said the draft communique, which may yet change before it is released on Sunday.

The draft statement, to which all the G20 financial leaders have to agree, contains a sentence in square brackets – which means it was not yet agreed – that trade and investment were important engines of growth.

"We reaffirm our leaders' conclusions on trade from the Buenos Aires Summit and recognise the pressing need to resolve trade tensions," the sentence still under discussion said.

If the sentence is dropped from the final statement, it would mean rowing back on an agreement reached by G20 leaders last year in Argentina that while the existing international trade system – the World Trade Orgnisation – needs improvement, it helps world growth and should be fixed.

G20 leaders also agreed last December to review the WTO reform in Osaka later this month.

But progress in overhauling the WTO, which still functions under rules created a quarter of a century ago, has been slow, partly because of US actions to block appellate judge appointments.

A Japanese finance ministry official who attended yesterday's G20 session told reporters that most of the group's members voiced concern that escalating trade tensions posed a huge downside risk for the global economy.

"With so many countries expressing concern over the fallout (from the trade tensions), there seems to be some momentum to reflect that in the communique.

But there's no conclusion yet" on the language of trade, the official told reporters.

Relations between the United States and China have deteriorated since US President Donald Trump in early May accused Beijing of reneging on commitments to change its ways of doing business with the rest of the world.

Washington raised tariffs on Chinese goods and threatened new levies, while Beijing has retaliated.

US Treasury Secretary Steven Mnuchin, who will hold talks with China's Yi Gang on the sidelines of the G20 gathering, said the United States wants free, fair and balanced trade with China, in part to close a gaping US trade deficit with China.

But the United States is prepared to levy tariffs on virtually all remaining Chinese imports if the "right deal" cannot be reached to satisfy US demands for better Chinese protections of intellectual property and curbs to technology transfers and state subsidies, Mnuchin said.

"If we can't have that, the end result will be that my expectation is that many companies will move their production out of China to other locations," due to tariffs, Mnuchin said. He said his scheduled meeting with People's Bank of China governor Yi Gang will not be a "negotiating meeting" on trade issues, reinforcing the view there will be little breakthrough in the row between the world's two largest economies.

He added that any major progress will rest with Trump's expected meeting with Chinese President Xi Jinping at a G20 leaders' summit late this month.

In a rare positive development, the US administration said it will put off imposing tariffs against Mexico after the two countries reached a deal to contain the migration of immigrants crossing the southern US border.

"It's a very good outcome not just for the United States and Mexico, but for the global economy," Bank of Japan governor Haruhiko Kuroda told reporters.

Singapore's CDL makes fresh bid to buy remaining stake in M&C

Reuters
Singapore

Millennium & Copthorne Hotels Plc has agreed to be acquired by majority owner City Developments Ltd (CDL) in a deal that values the British company at £2.23bn ($2.84bn), the companies said on Friday.

Shares of M&C surged 35% to the top of the FTSE midcap index and were near the offer price of 685 pence per share.

The Singapore-listed real estate firm owns a 65.2% stake in M&C, according to Eikon data from Refinitiv.

The deal comes a year after minority shareholders of M&C blocked a takeover bid by CDL on the grounds that it did not reflect the value of the company's property portfolio.

CDL's previous offer had been for 620 pence a share.

This time, CDL has received irrevocable undertakings to accept the offer from key minority shareholders, who own about 43.6% of the M&C shares not already held by CDL, the Singaporean company said.

The maximum cash consideration payable by CDL amounted to £776.29mn and will be funded through a combination of cash and debt, the company said.

It said the offer was final and would not be increased.

Singaporean billionaire Kwek Leng Beng is the chairman of both the entities.

On Friday, the operator of the Millennium, Grand Millennium, Copthorne and Kingsgate hotels said its independent directors consider the terms of the final offer to be fair and reasonable.

"Taking M&C private is in line with CDL's strong focus on boosting recurring income and enhancing underperforming assets.

We are pleased to have garnered the support of M&C's Independent Directors and key minority shareholders," CDL CEO Sherman Kwek said.

"The offer enables shareholders to exit an illiquid stock at a significant premium."

The luxury chain, which owns seven hotels in London, in May reported lower revenue per room for the first quarter as renovations kept its major hotels in London and Singapore partially or fully closed.

CDL said it intended to work with M&C to improve the efficiency of its hotels by leveraging on CDL's infrastructure, network and financial resources.

It said it would become increasingly involved in the operational and financial management of M&C.

M&C's independent directors have been advised by Credit Suisse.

Barclays Bank PLC and Merrill Lynch (Singapore) are the joint financial advisers and Linklaters LLP is the legal adviser to CDL.

G20 financial leaders to stay vague on trade

Reuters
Fukuoka, Japan

Finance leaders of the Group of 20 major economies will steer clear of promises to avoid protectionism in a communique today amid escalating US-China trade tensions, officials say, casting doubt on their ability to take a united front in averting a global recession.

US Treasury Secretary Steven Mnuchin said his scheduled meeting with People's Bank of China governor Yi Gang will not be a "negotiating meeting" on trade issues, reinforcing the view there will be little breakthrough in the row between the world's two largest economies.

The trade conflict was spilling over to other areas of discussions, making the drafting of the G20 communique increasingly difficult, said an official familiar with the drafting of the communique.

"If we go down this route, we risk clogging the G20," the official said.

The intensifying US-China trade conflict has jolted financial markets and stoked fears of a global recession, overshadowing a two-day gathering of G20 finance ministers and central bank governors in Fukuoka, southern Japan, concluding today.

Japan, which is chairing this year's G20 meetings, has said the finance leaders won't put trade high on the agenda and won't seek to mediate bilateral trade rows.

But the growing economic fallout from the trade war has made it hard for them to sidestep the topic.

Bank of Japan governor Haruhiko Kuroda said while global growth was expected to rebound at the latter half of this year, trade tensions were making the outlook uncertain.

On the insistence of US President Donald Trump, G20 financial heads in 2017 replaced a phrase about avoiding all forms of protectionism with a sentence that they would work "to strengthen the contribution of trade to our economies."

Asked if the new phrasing would be kept this time, a second G20 official said: "Yes, most probably".

The communique will keep a pledge to avoid competitive currency devaluations, though the language on exchange rates had not been finalised, the officials said.

The communique will be released today after being signed off by the G20 finance leaders. Relations between the United States and China have deteriorated since Trump in early May accused Beijing of reneging on commitments to change its ways of doing business with the rest of the world.

Washington raised tariffs on Chinese goods and threatened new levies, while Beijing has retaliated. Mnuchin, who will hold talks with China's Yi Gang on the sidelines of the G20 gathering, said the United States wants free, fair and balanced trade with China, in part to close a gaping US trade deficit with China.

"If we can't have that, the end result will be that my expectation is that many companies will move their production out of China to other locations," due to tariffs, Mnuchin said.

He added that any major progress will rest with Trump's expected meeting with Chinese President Xi Jinping at a G20 leaders' summit late this month.

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"It's a very good outcome not just for the United States and Mexico, but for the global economy," the BoJ's Kuroda said.

Japan's Finance Minister Taro Aso stands next to IMF managing director Christine Lagarde and Bank of Japan governor Haruhiko Kuroda during the G20 finance ministers and central bank governors meeting in Fukuoka, Japan. Kuroda said while global growth was expected to rebound at the latter half of this year, trade tensions were making the outlook uncertain.

US leaves door open to China on trade talks at G20

Federal Reserve chairman Jerome Powell (left) talks with US Treasury Secretary Steven Mnuchin during the G20 finance ministers and central bank governors meeting in Fukuoka, Japan. Mnuchin said he did not believe that the current trade tensions were harming the global economy, one of the key topics being discussed by G20 officials in Fukuoka.

AFP
Fukuoka, Japan

The United States is open to further negotiations with China on their ongoing trade battle but any potential deal will wait until the two leaders meet at the end of the month, Washington's top finance official said yesterday.

Speaking to reporters on the sidelines of a meeting of G20 finance ministers and central bank chiefs, Treasury Secretary Steven Mnuchin warned that Washington would press on with tariffs if a deal could not be reached.

"We were on the way to a historic deal.

If they want to come back to the table and complete the deal on the terms that we were continuing to negotiate, that will be great.

If not, as the president said, we'll move on with tariffs," said Mnuchin.

President Donald Trump is expected to meet his Chinese counterpart Xi Jinping at the G20 summit in Osaka on June 28-29 and any potential breakthrough would likely only come then, he predicted.

"I would expect that the main progress will be at the G20 leaders' meeting between the two presidents," he said.

Mnuchin said that although he would be holding one-on-one talks with Chinese central bank chief Yi Gang during the G20 finance meeting in the western Japanese city of Fukuoka, this would "not be a negotiating meeting".

"We've been hard at work on what could be a historic agreement for both countries, something that could be economically very important for us and China and for the rest of the world," he said. However, he insisted that the current trade relationship between the world's top two economies was "very unbalanced."

"Our markets are completely open to them.

Their markets have not been open to us," he said.

He said Washington and Beijing had been "90% done" on clinching a trade deal before talks collapsed but stressed that the current position was "a result of them backtracking on significant commitments."

Trump said on June 6 that he would wait until after the G20 summit before deciding whether to impose new tariffs on Chinese goods that could be worth $325bn.

"The critical meeting will be between the two presidents," said Mnuchin.

The treasury secretary said he did not believe that the current trade tensions were harming the global economy, one of the key topics being discussed by G20 officials in Fukuoka.

"So I don't think in any way that the slowdown you are seeing in parts of the world are the result of trade tensions at the moment," he said.

Nevertheless, if a deal were found, it would be a boon to the global economy as a whole, he predicted.

"People talk about the economic risk of trade wars... people should be even more focused on the benefits of having a great trade agreement and how that creates economic opportunities in both economies, especially for a growing middle-class in China," he said.

The potential economic benefits for China were "part of the reason I don't understand why they went backwards because I think this could be a great outcome for them".

BUSINESS

Pakistan plans fiscal consolidation steps to bolster economy

Internews
Islamabad

Workers at a construction site in Karachi. The World Bank estimates Pakistan's GDP growth rate to reach 2.7% in 2019-20.

Pakistan is on the path of consolidation to tackle sizeable fiscal and current account deficits but the imbalances are expected to diminish slowly, said the World Bank.

The Bank estimates the country's GDP growth rate to reach 2.7% in 2019-20.

However, the consolidation measures, coupled with other macroeconomic improvements, are likely to lead to an increase in the economic growth to 4% in the beginning in fiscal year 2020-21, adds the World Bank report titled 'Global Economic Prospects: Heightened Tensions, Subdued Investment'.

The Bank also noted that the improvement in source countries is expected to increase workers' remittances in the upcoming fiscal year which is likely to boost growth performance and the current account balances.

Inward remittances have seen significant growth in the ongoing fiscal year increasing by 8.43% to $17.87bn compared to $16.48bn during the first 10 months of the last fiscal year.

Moreover, Pakistan's National Economic Council – the high-powered decision making body on economic affairs has also set a target of 4% GDP growth for the next fiscal year.

The Bank also pointed out the stellar growth in the South Asian economies in 2018 averaging at 7% due to robust domestic demand with the exception of Pakistan, which suffered from a broad-based weakening of domestic demand over the past year against the backdrop of tightening policies aimed at addressing the country's macroeconomic imbalances.

Regional inflation, on the other hand, remained moderate partly reflecting broadly stable commodity prices.

However, Pakistan has recently experienced a significant rise in inflation driven by currency depreciation, which was followed by several policy rate hikes over the course of ongoing fiscal year.

In its outlook for South Asia, the bank expects robust economic growth in the region forecasting an expansion of 6.9% in 2019, down from the previous projections of 7.1% owing to downward revisions for Pakistan.

However, the regional growth is expected to pick up to 7% in 2020 and 7.1% in 2021.

The domestic risks to the outlook for South Asian growth include re-escalation of political turbulence amid elections in Afghanistan and Sri Lanka; fiscal slippages with expanding public spending; and a resurgence of non-bank financial sector funding issues, the bank warns.

Military skirmishes in South Asia especially Pakistan and India in mid-February remained contained, and economic repercussions were minor.

However, a re-escalation of tensions between the two nuclear neighbours could increase uncertainty, depress confidence, and weigh on investment in the region.

Uncertainty about the Brexit process also poses significant risks to some South Asian economies which have preferential trade agreements or generalised system of preferences with the European Union and significant exports to United Kingdom including Bangladesh, India, Pakistan and Sri Lanka.

A no-deal Brexit could have meaningful impact on exports from these countries to the UK in the absence of new trade agreements.

Moreover, South Asia, a net oil-importing region, remains vulnerable to oil price spikes and a sudden jump in prices is likely to worsen current account balances and elevate inflation in the region.

The global oil prices have remained volatile amid rising tensions between the Saudi Arabia and the UAE and Iran.

South Asia is also vulnerable to effects of climate change, such as natural disasters, which tend both to increase inflation and weigh on activity through supply disruptions, especially in the agricultural sector, report says.

The Bank says the global economic growth is forecast to ease to a weaker-than-expected 2.6% in 2019 before inching up to 2.7% in 2020.

Growth in emerging markets and developing economies is expected to stabilise next year as some countries move past periods of financial strain, but economic momentum remains weak.

Emerging and developing economy growth is constrained by sluggish investment, and risks are tilted to the downside which include rising trade barriers, renewed financial stress, and sharper-than-expected slowdowns in several major economies.

Demonetisation, Aadhaar spurred India's digital payments growth: RBI

IANS
New Delhi

After the demonetisation of Rs500 and Rs1,000 notes in 2016 pushed digital payments, Aadhaar-enabled electronic know your customer (eKYC) resulted in an exponential growth of such payments in India, according to a new report by the Reserve Bank of India.

Transactions in which both the payer and the payee use digital modes to send and receive money are referred to as digital or electronic payments.

India recorded an accelerated growth rate of over 50% in the volume of retail electronic payment transactions in the last four years, said the report titled "Benchmarking India's Payment Systems". The growth in 2018-19 was largely due to the steep growth in Unified Payments Interface (UPI), it added.

"In India, the smartphone revolution has seen an explosion in digital payment options, from e-Money to the Unified Payments Interface (UPI) to a combination of the two.

After demonetisation, the use of e-Money picked up on a very large scale," the findings showed.

The digital landscape changed with higher usage of e-Money, UPI, Aadhaar Payments Bridge System (APBS), RuPay, and Bharat Bill Payment System (BBPS), among others.

With 3,459mn e-Money transactions, India was only behind Japan and the US (data on China not available) in 2017 with respect to volume of e-Money transactions, the report said.

The study revealed that over the years, the number of debit and credit cards also increased considerably in India.

India had 331.60mn and 19.55mn debit and credit cards respectively at the end of 2012. The numbers grew to 861.7mn and 37.49mn respectively at the end of 2017.

By March 31, 2019, the number of debit and credit cards issued were 925mn and 47mn, respectively. However, the study showed that the cost of digital transactions was a factor inhibiting their growth.

Merchants have to cash out or transfer to their banks accounts at a cost and at times these costs are passed on to the consumer.

"A few countries have tried to regulate costs to ensure that the charges are not usurious, but the jury is still out on whether such a regulation promotes the growth of digital payments.

With banks pushing and merchants pulling, it isn't clear if such caps will discourage the use of cash," the report added.

Pointing to a major area for improvement, the study showed that only three per cent of the population in India used the Internet to pay utility bills in 2017. The report compared the payment ecosystem in India with the systems and usage trends in other major countries such as Australia, Brazil, Canada, China, France, Germany, Britain and the US.

Reserve Bank of India signage is displayed at the entrance to the bank's headquarters in Mumbai. After the demonetisation of Rs500 and Rs1,000 notes in 2016 pushed digital payments, Aadhaar-enabled electronic know your customer resulted in an exponential growth of such payments in India, according to a new report by the RBI.

India's private airlines submit fleet plan, to get Jet's unused rights soon

IANS
New Delhi

Worried over inadequate capacity on foreign routes following suspension of Jet Airways' operations, the aviation ministry would soon allot the unused traffic rights of the grounded airline to rival private airlines.

The ministry has received capacity expansion plans of all the four major private carriers IndiGo, SpiceJet, GoAir and Vistara to finalise allocation of rights to these airlines. The four carriers together plan to add about 58 aircraft by July-end.

"Some of the foreign airlines are benefiting from Jet Airways' suspension of operations.

On many routes the fare level is high compared to last season.

The ministry would now soon take a call on re-allocation of traffic rights," an industry source said. The executive said that IndiGo would add about 18 more planes to its current fleet of 232 by July-end.

Its close rival SpiceJet would induct 20 more B737 aircraft in its current fleet of 102 jets in the next two months.

"Vistara and GoAir are expected to induct 10 each in the same period," he said.

While Vistara currently has a fleet of 24 aircraft, Wadia group-owned carrier GoAir has a total fleet size of 50 A320 planes.

Most private carriers want traffic rights for lucrative short-haul destinations such as Dubai, Doha, Dhaka, Singapore and Bangkok.

Preferring Air India over the private carriers, the civil aviation ministry had last month decided to allot about 5,700 weekly seats to the airline out of grounded Jet Airways' unused quota on the lucrative India-Dubai route.

The public sector airline was also given over 5,000 seats on India-Qatar route besides about 4,600 additional seats to and from London.

Pakistan to bring retailers into tax net

Internews
Islamabad

A Pakistani vendor sells dried fruits at a market in Karachi. The government of Pakistan has decided in principle to abolish zero rating for five export-oriented sectors from the next budget 2019-20. But the rate of General Sales Tax might be less than the standard rate of 17%.

The government of Pakistan has decided in principle to abolish zero rating for five export-oriented sectors especially for textile from the next budget 2019-20 but the rate of General Sales Tax (GST) might be less than the standard rate of 17%.

The FBR has also decided to announce three schemes for bringing millions of retailers into the tax net whereby all those retailers possessing covered area of 1,000 square feet will be bound to install cash machines linked with the tax department to ascertain the exact sale value and then deduction of tax on it.

The FBR has also decided to bring distributors of motorcycles, cars, ghee, cooking oil and many others into the tax system through the next budget. "We will bring transaction into tax system," said a top official of the FBR.

He said that the tax collection target of Rs5,550bn could not be materialised by sucking the blood of the existing taxpayers so new avenues would have to be found out to achieve the desired results.

"We have made up our mind to abolish zero rating regime under SRO 1125 for five export oriented sector including textile, leather, carpets, surgical and sports goods.

We will implement the Bangladeshi model to provide refunds instantly through the central bank in order to resolve the issue of liquidity crunch for exporters.

However, the rate of GST might be reduced from the standard level of 17%," top official sources confirmed.

The rate of GST could be anywhere from 10% to 16%, they added.

According to estimates prepared by the FBR, the total value of domestic and exports stood at Rs3tn out of which approximately Rs1.2tn was exported while remaining share of Rs1.8tn being consumed into the country.

If anyone argues that the whole country was wearing second hand clothes, it could easily be termed wrong and incorrect, said the FBR official and added that the FBR would ensure instant release of funds through SBP to all exporters when export receipt was being cleared through banking channel. "We will continue reconciliation at later stages", they added.

The rate of GST might be less than 17% as the FBR considers that the higher rate at initial stage would create more problems so the rate might be fixed lower than the standard rate.

For retailers, the FBR has decided to come up with three schemes for small, medium and big retailers.

For small retailers, the FBR will come with fixed rate of tax in the coming budget where all shopkeepers will be asked to come into tax system by paying fixed amount of tax having covered area of 240 square feet.

Indonesia rate cut depends on timing: Central bank deputy governor

Bloomberg
Jakarta

Indonesia's central bank is discussing the possibility of cutting interest rates but is waiting for the right time to do so, deputy governor Dody Waluyo said.

Given the uncertainty in financial markets, the central bank needs to be "cautious" and a rate cut "will depend on the timing," Waluyo said in an interview with Bloomberg Television's Kathleen Hays in Japan on Friday. Policy makers are monitoring the economic data closely to assess when they can move, he said.

Bank Indonesia's Waluyo discusses the economic impact of the US-China disputes, monetary policy, and the rupiah.

"We are calculating from time to time the possibility to cut rates," he said. "Hopefully we will do it later on."

Global central banks are shifting to more looser monetary policy to bolster their economies in the face of a growth slowdown. The Reserve Bank of India on Thursday cut its benchmark rate for a third time, while Australia, New Zealand, the Philippines and Malaysia have also eased in recent weeks.

Indonesia's policy makers are treading more carefully to avoid undermining the currency. Bank Indonesia raised interest rates six times last year to bolster the rupiah after it came under attack during an emerging-market rout.

Other tools

"The policy rate is determined not only by how we are able to address the inflation rate within our target, but also how we address the stability of the rupiah, and the factors behind the rupiah mostly come from the external side," Waluyo said.

Governor Perry Warjiyo hinted at rate cuts at last month's policy meeting, saying the central bank will consider whether there's room to ease, while remaining vigilant of global market risks and maintaining external stability.

Waluyo said the policy rate is only one of the tools available to support the economy, and the central bank will also use macroprudential measures and liquidity instruments as it did last year.

'Credible response'

"We believe BI's decision to leave the policy rate unchanged over this period of high external uncertainty is a credible response and only serves to further bolster BI's objective of promoting financial stability," Nomura Holdings Inc. analysts led by Euben Paracuelles said in a note. "We think the earliest BI can cut its policy rate is in the fourth quarter, which is when we forecast a total of 50 basis points in rate cuts."

On domestic growth prospects, Waluyo said the US-China trade war will have a "significant impact" on the economy, with non-oil export growth already under pressure. There are some possible positive spinoffs, such as lower food prices as a result of cheaper soybean imports from the US and increasing textile exports to America, he said.

"S&P just upgraded our sovereign credit risk. It gives sentiment and confidence to the market. The result of the election is also positive for the market." "We have to be cautious in terms of the policy rate. We want to be hawkish in the policy rate, but then we are accommodative in other instruments, like macroprudential, financial market deepening, coordination with government in terms of structural reform."

"Banks should still improve bank loans. That's the point why Bank Indonesia is being accommodative in macroprudential policy. We want banks to give loans more because we want to maintain the momentum of growth."

BUSINESS

The Qatar Stock Exchange (QSE) Index increased by 46.32 points, or 0.45%, during the trading week to close at 10,319.33. Market capitalisation receded by 0.1% to QR567.7bn versus QR568.1bn the previous trading week. Of the 46 listed companies, 20 companies ended the week higher, while 20 declined and 6 remained unchanged. Qatar Islamic Insurance (QISI) was the best performing stock for the week with a gain of 10.6% on a trading volume of 83.3 thousand (k) shares. On the other hand, Mannai Corp. (MCCS) was the worst performing stock for the week with a decline of 2.7% on 16.2k shares traded.

Commercial Bank of Qatar (CBQK), Qatar Islamic Bank (QIBK) and Masraf Al Rayan (MARK) were the primary contributors to the weekly index gain. CBQK was the biggest contributor to the index's weekly increase, adding 24.4 points to the index. QIBK was the second biggest contributor to the mentioned gain, contributing 21.4 points to the index. Moreover, MARK tacked on 20.1 points to the index.

Trading value during the week decreased by 87.2% to QR0.64bn versus QR4.96bn in the prior week. The banks and financial services sector led the trading value during the week, accounting for 54.7% of the total trading value. The industrials sector was the second biggest contributor to the overall trading value, accounting for 17.6% of the total. QNB Group (QNBK) was the top value traded stock during the week with total traded value of QR226.8mn.

Trading volume decreased by 89.0% to reach 22.2mn shares versus 202.7mn shares in the prior week. The number of transactions fell by 78.0% to 14,937 transactions versus 68,041 transactions in the prior week. The real estate sector led the trading volume, accounting for 42.2%, followed by the banks and financial services sector which accounted for 22.3% of the overall trading volume. Ezdan Holding Group (ERES) was the top volume traded stock during the week with 8.4mn shares.

Foreign institutions remained bullish with net buying of QR188.6mn versus net buying of QR907.6mn in the prior week. Qatari institutions remained bearish with net selling of QR89.0mn versus net selling of QR668.7mn in the week before. Foreign retail investors remained negative with net selling of QR11.0mn versus net selling of QR133.4mn in the prior week. Qatari retail investors remained bearish with net selling of QR88.5mn versus net selling of QR105.5mn the week before.

Foreign institutions have bought (net basis) $941mn worth of Qatari equities in 2019.

QNB FINANCIAL SERVICES

Weekly Market Report

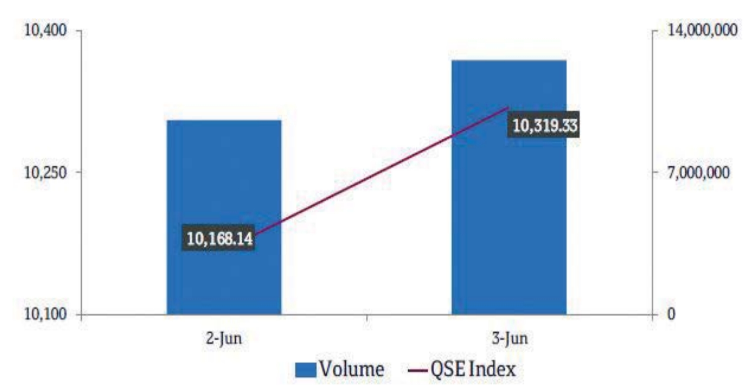
Market Indicators	Week ended June 03, 2019	Week ended May 30, 2019	Chg. %
Value Traded (QR mn)	637.0	4,960.9	(87.2)
Exch. Market Cap. (QR mn)	567,688.8	568,078.3	(0.1)
Volume (mn)	22.2	202.7	(89.0)
Number of Transactions	14,937	68,041	(78.0)
Companies Traded	42	44	(4.5)
Market Breadth	20:20	30:13	–

Source: Qatar Exchange (QE)

Market Indices	Close	WTD%	MTD%	YTD%
Total Return	18,988.43	0.5	0.5	4.6
ALL Share Index	3,051.54	0.2	0.2	(0.9)
Banks and Financial Services	3,987.52	0.5	0.5	4.1
Industrials	3,215.19	(0.1)	(0.1)	0.0
Transportation	2,431.48	1.2	1.2	18.1
Real Estate	1,564.11	(0.9)	(0.9)	(28.5)
Insurance	3,070.42	0.9	0.9	2.1
Telecoms	891.96	(0.5)	(0.5)	(9.7)
Consumer Goods & Services	7,778.37	(0.2)	(0.2)	15.2
Al Rayan Islamic Index	4,018.22	0.6	0.6	3.4

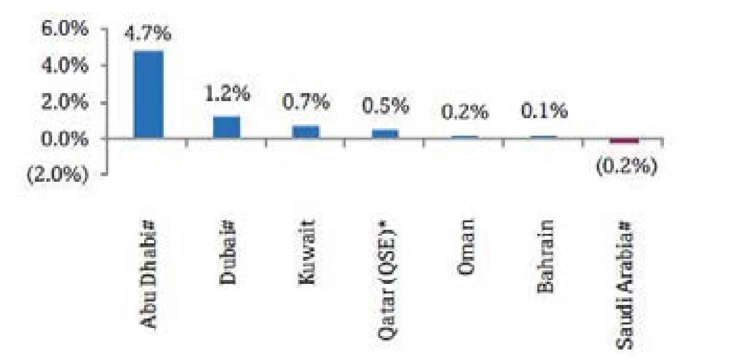
Source: Qatar Exchange (QE)

QSE Index and Volume



Source: Qatar Exchange (QE)

Weekly Index Performance



Source: Bloomberg

Regional Indices	Close	WTD%	MTD%	YTD%	Weekly Exchange Traded Value ($ mn)	Exchange Mkt. Cap. ($ mn)	TTM P/E**	P/B**	Dividend Yield
Qatar*	10,319.33	0.5	0.5	0.2	174.31	155,887.3	14.5	1.6	4.2
Dubai#	2,620.33	1.2	(5.3)	3.6	56.11	95,039.7	11.4	1.0	5.1
Abu Dhabi#	5,003.59	4.7	(4.8)	1.8	102.66	139,271.4	14.5	1.5	5.0
Saudi Arabia#	8,516.48	(0.2)	(8.5)	8.8	726.37	533,344.0	19.5	1.9	3.5
Kuwait	4,767.42	0.7	0.7	0.6	137.70	32,789.8	14.5	0.9	3.9
Oman	3,941.82	0.2	0.2	(8.8)	4.12	17,151.8	7.8	0.8	7.0
Bahrain	1,434.62	0.1	0.1	7.3	4.52	22,264.5	10.5	0.9	5.3

Source: Bloomberg, country exchanges and Zawya (** Trailing Twelve Months; * Value traded ($ mn) do not include special trades, if any; #Data as of May 30, 2019)

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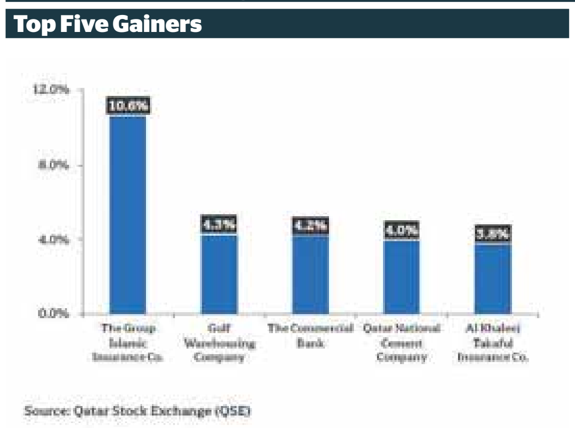
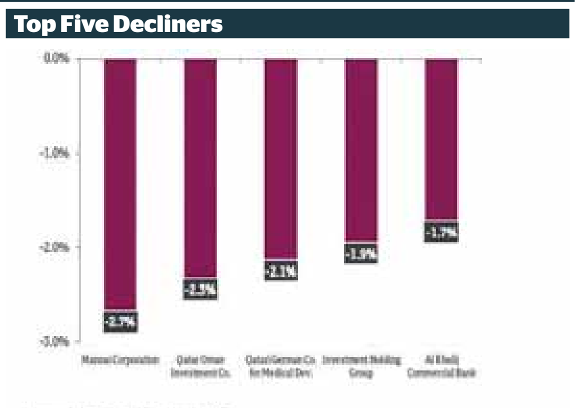
Qatar Stock Exchange

Top Five Gainers



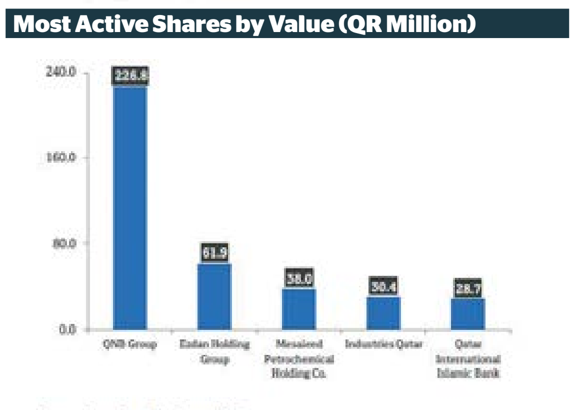
Source: Qatar Stock Exchange (QSE)

Top Five Decliners



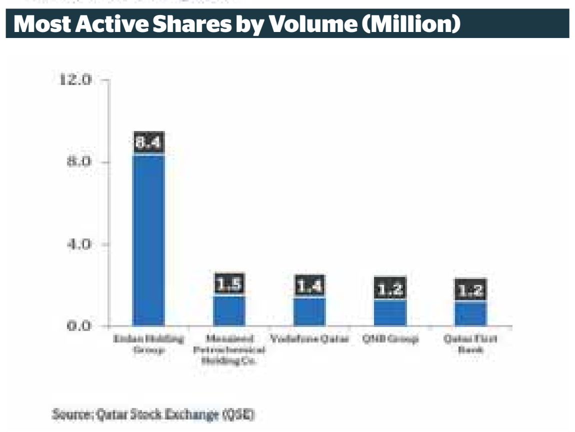
Source: Qatar Stock Exchange (QSE)

Most Active Shares by Value (QR Million)



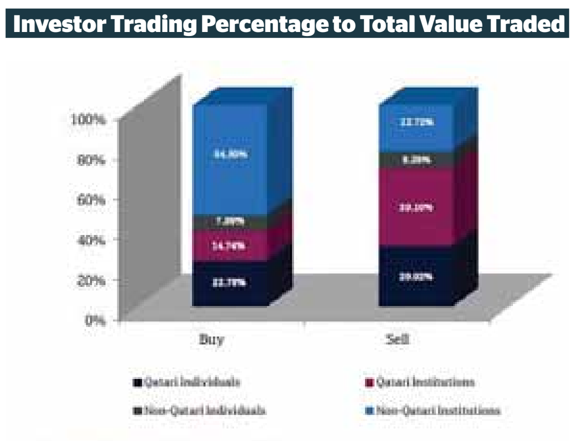
Source: Qatar Stock Exchange (QSE)

Most Active Shares by Volume (Million)



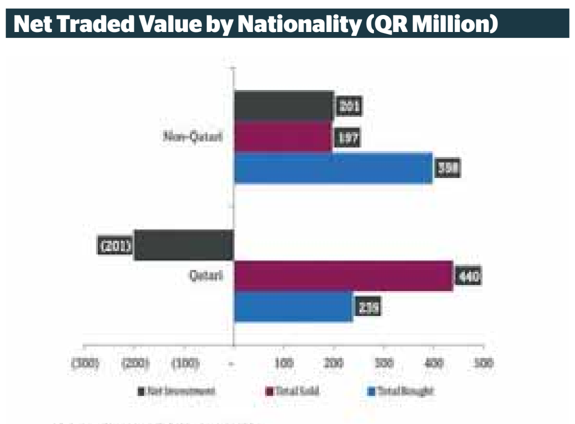
Source: Qatar Stock Exchange (QSE)

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 June 03	% Change WTD	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	186.00	(1.06)	(4.62)	171,798	13.1	2.7	3.2
Qatar Islamic Bank	170.00	1.74	11.84	40,170	15.4	2.7	2.9
Commercial Bank of Qatar	48.40	4.20	22.87	19,589	13.5	1.2	3.1
Doha Bank	23.08	(0.60)	3.96	7,156	13.3	0.8	4.3
Al Ahli Bank	28.01	0.00	10.04	6,481	9.7	1.2	3.2
Qatar International Islamic Bank	73.94	1.29	11.83	11,192	13.3	2.1	5.4
Masraf Al Rayan	37.00	2.21	(11.23)	27,750	12.9	2.3	5.4
Al Khalij Bank	11.50	(1.71)	(0.35)	4,140	7.4	0.8	6.5
Qatar First Bank	4.20	0.48	2.94	840	N/A	0.8	N/A
National Leasing	7.67	1.32	(12.74)	380	34.6	0.5	6.5
Dlala Holding	9.03	0.22	(9.70)	257	N/A	1.2	N/A
Qatar & Oman Investment	5.47	(2.32)	2.43	172	67.6	0.6	5.5
Islamic Holding Group	20.39	(1.02)	(6.68)	115	846.5	0.8	N/A
Banking and Financial Services				**290,040**			
Zad Holding	123.00	0.00	18.27	1,770	13.6	1.8	6.9
Qatar German Co. for Medical Devices	5.09	(2.12)	(10.07)	59	N/A	1.5	N/A
Salam International Investment	4.11	(0.24)	(5.08)	470	N/A	0.4	N/A
Medicare Group	59.49	1.19	(5.72)	1,674	19.9	1.8	3.0
Qatar Cinema & Film Distribution	19.90	0.00	4.63	125	14.1	0.9	7.5
Qatar Fuel	206.00	0.00	24.10	20,482	17.3	2.7	3.9
Qatar Meat and Livestock	58.27	(0.22)	(16.76)	1,049	9.7	3.4	7.7
Mannai Corp.	39.90	(2.66)	(27.39)	1,820	5.0	0.7	5.0
Al Meera Consumer Goods	140.99	(1.06)	(4.74)	2,820	15.4	2.2	6.0
Consumer Goods and Services				**30,268**			
Qatar Industrial Manufacturing	38.50	(0.65)	(9.84)	1,830	10.0	1.2	6.5
Qatar National Cement	65.50	3.97	10.08	4,281	13.2	1.4	7.6
Industries Qatar	113.05	(0.83)	(15.39)	68,395	15.4	2.1	5.3
Qatari Investors Group	21.81	(1.31)	(21.57)	2,712	15.7	1.0	3.4
Qatar Electricity and Water	166.35	0.82	(10.08)	18,299	12.6	1.9	4.7
Aamal	7.90	0.89	(10.63)	4,977	11.7	0.6	7.6
Gulf International Services	19.65	2.88	15.59	3,652	N/A	1.0	N/A
Mesaieed Petrochemical Holding	26.00	(0.88)	72.99	32,664	24.9	2.3	3.1
Invesment Holding Group	5.57	(1.94)	13.91	462	7.7	0.6	4.5
Qatar Aluminum Manufacturing	10.05	0.10	(24.72)	5,608	N/A	N/A	2.0
Industrials				**142,879**			
Qatar Insurance	35.05	0.14	(2.37)	11,448	18.9	1.5	4.3
Doha Insurance	11.10	0.00	(15.20)	555	11.2	0.5	7.2
Qatar General Insurance & Reinsurance	40.59	0.00	(9.56)	3,552	17.0	0.6	2.5
Al Khaleej Takaful Insurance	16.47	3.78	91.73	420	14.6	0.8	3.0
Qatar Islamic Insurance	57.50	10.58	7.06	863	13.3	2.6	6.1
Insurance				**16,838**			
United Development	13.80	1.17	(6.44)	4,886	10.7	0.5	7.2
Barwa Real Estate	35.60	(0.84)	(10.80)	13,853	7.2	0.7	7.0
Ezdan Real Estate	7.34	(1.48)	(43.45)	19,469	32.1	0.6	N/A
Mazaya Qatar Real Estate Development	7.53	(0.79)	(3.46)	872	76.1	0.6	6.6
Real Estate				**39,080**			
Ooredoo	64.00	(0.67)	(14.67)	20,500	13.7	0.9	3.9
Vodafone Qatar	7.05	(0.14)	(9.73)	5,960	41.8	1.3	3.5
Telecoms				**26,461**			
Qatar Navigation (Milaha)	64.00	1.59	(3.04)	7,330	13.6	0.5	4.7
Gulf Warehousing	49.00	4.26	27.37	2,872	12.0	1.8	3.9
Qatar Gas Transport (Nakilat)	21.52	0.28	20.02	11,923	13.1	1.9	4.6
Transportation				**22,124**			
Qatar Exchange				**567,689**			

Technical analysis of the QSE index

The QE index closed 0.45% up from the week before at 10,319.33. We remain with the opinion that the 9,700 level is very critical to maintain; failure to do so would bring out the next support level at 9,200. We keep our next expected resistance level at 10,800 points.

Definitions of key terms used in technical analysis

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.

Doji candlestick pattern – A Doji candlestick is formed when a security's open and close are practically equal. The pattern indicates indecisiveness, and based on preceding price actions and future confirmation, may indicate a bullish or bearish trend reversal.

Retailer Revolve gets 2019's third-best US trading debut

Bloomberg
New York

Shares of online fashion retailer Revolve Group Inc briefly doubled after its $212mn initial public offering but still closed the day with the year's third-best US trading debut.

Revolve opened trading on Friday up 40% from its $18 offer price and then soared as much as 111%. It closed the day up 89% to $34 a share, valuing the company at about $2.33bn based on the outstanding shares as listed in its IPO filing.

That first-day performance has been topped on US exchanges this year only by Beyond Meat Inc, the meat-substitute maker whose stock popped 163% on its first day after the company raised $277mn and by biotechnology company Cortexyme Inc, whose shares rose more than 93% the day of its $75mn listing. Beyond Meat's shares have risen almost 300% since its May 1 IPO, making it the best performer of the year's listings.

Revolve sold 11.8mn shares on Thursday at the top of a marketed range of $16 to $18, the 76th US IPO this year, bringing the total raised to more than $27bn, according to data compiled by Bloomberg. That's amid the surge of higher-profile listings including Uber Technologies Inc's $8.1bn IPO in May.

The offering by Revolve follows September's listing by luxury-clothing platform Farfetch Ltd, which raised $855mn in its US IPO. This year, three

other e-commerce companies have gone public in the US, raising a combined $471mn, the data shows.

Revolve focuses on millennial customers, the generation that's currently in their mid-20s to late-30s, according to its prospectus. It attracts many of its customers through its own Instagram account with more than 5.5mn followers, and through a network of more than 3,500 influencers – users with large followings on social media – and social events.

The company based in Cerritos, California, is profitable, earning $31mn on sales of $499mn last year, up from net income of $5.3mn on sales of almost $400mn in 2017, Revolve said in its filings. Sales for the quarter ended March 31 rose 21% to $137mn, while net income fell 7.8% to $5mn. Revolve's average order value fell to $259 for the quarter, down from $282 for the same period last year.

Only a quarter of the Class A shares issued in the IPO were sold by the company, according to the filing. The remaining $8.8mn shares were sold by current investors.

Those shares will carry one vote each, while Class B shares will have 10 votes each. That will give the Class B owners about 98% of the voting rights, according to the filings.

MMMK Development Inc, an entity controlled by co-chief executive officers Michael Karanikolas and Michael Mente, will control 67% of the voting power. Revolve plans to use the proceeds to buy back stock from existing stakeholders and to continue growing the company, its filing shows.

Last year, 18% of the company's sales came from outside the US Revolve cautions that expanding internationally will likely require fulfilment centres among other expenditures.

The company also warns that its manufacturing operations in China could be affected by the political and economic climate there, as well as by tariffs imposed by the US government.

Revolve is also considering adding to its more than 20 private-label brands, as well as opening physical stores. Unlike most fashion retailers, Revolve's labels aren't entry-level products, with the average price topping those of third-party brands sold by the company.

"The future includes a lot of what we have right now," Mente said in an interview. "Everything we're doing right now is working very well." Instagram Strategy While Revolve expects Instagram to continue to be the home for fashion content, it intends to stay ahead of the competition if that changes, Karanikolas said.

"We have a long history of staying ahead of the competition there," Karanikolas said. "We welcome shifts in the landscape. It usually represents opportunities for us."

Revolve's offering was led by Morgan Stanley, Credit Suisse Group AG and Bank of America Corp. Its shares are trading on the NYSE under the symbol RVLV.

Russia rate cut is possible next week: Nabiullina

Bloomberg
Moscow

Governor Elvira Nabiullina said it's possible that Russia's central bank will cut interest rates for the first time in a year at its next meeting on June 14.

"External conditions turned somewhat more volatile in recent weeks, and we will take into consideration all these factors, but we think that this option of a reduction is possible," Nabiullina told Bloomberg TV on the eve of a self-imposed blackout week before the decision.

Recent data "confirms that inflation is evolving tangibly better than we expected." Nabiullina says it's possible that Russia will cut rates for the first time in a year at its next meeting on June 14.

The central bank remains cautious about the outlook for inflation expectations and is in no rush to undo the two surprise hikes from late last year or make "rapid moves," Nabiullina said.

At an earlier panel session on Thursday at the St Petersburg International Economic Forum, she said monetary easing could resume in the nearest future. Consumer price growth slowed for a second consecutive month in May, according to data released Thursday.

The comments are the strongest signal yet that Russia's central bank is ready to resume monetary easing as inflation retreats from a spike earlier this year. The market was divided until recently about the direction of next week's decision, but forecasts for easing are now in a majority.

"It would be stupid to expect the central bank to keep the rate unchanged after such a statement from Nabiullina," said Roman Ermakov, the head of fixed income at Moscow-based Lanta Bank. "Something extraordinary would need to happen during the next week for the central bank to keep the rate unchanged."

Twenty-one economists in a Bloomberg survey forecast a 25 basis-point cut to 7.5% at next week's meeting, and two expect no change. Derivatives traders have increased their wagers on lower rates in the coming months to the highest level in 15 months.

Russia's 10-year bond yields extended declines, falling six basis points to 7.76%, the lowest since July. "The central bank knows policy is tighter than the outlook justifies. It doesn't regret those two preemptive rate hikes, but it's likely to unwind them quickly, with a first move next week. We see 50 bps of easing this year," says Scott Johnson, economist, Bloomberg Economics.

Lowering borrowing costs won't spur economic growth on its own and Russia also needs to implement reforms to achieve that goal, Nabiullina said on at Thursday's panel session.

Annual inflation eased to 5.1% in May from 5.2% in April, in line with forecasts in a Bloomberg survey, the Federal Statistics Service said on Thursday.

A $442bn money manager says tech's glory days are over

Bloomberg
New York

Calling a top in technology stocks isn't for the squeamish, but that's just what one brave investment manager is doing.

That poses a dilemma for the stock market, says Principal Global Investors' Seema Shah. Tech has juiced the bull market over the past decade, and a world without the sector's undying strength is a grim one to picture.

"If you're worried about tech, and you can't see any other leader coming through, then how can you be positive about US equity markets as well?" Shah, whose firm manages $442bn, said in an interview at Bloomberg's New York headquarters.

Technology stocks have been indispensable to the equity market's longest bull run ever.

The sector is up more than 500% since the 2009 bottom, and the group of six companies often associated with acronyms FAANG or FAAMG have accounted for roughly a fifth of the S&P 500's rally. Now the market darlings have been hit with a one-two punch in the arenas of trade and regulation, throwing their role as market leaders into doubt.

Semiconductor companies and tech hardware firms get a significant amount of their sales from China, pinpointing them as ground zero in the US-China trade war. Plus, the recent move from the Trump administration to blacklist Huawei Technologies Co has strategists across Wall Street describing the current environment as a tech war.

Add in US antitrust probes hovering over some of the tech mega-caps, and it's a recipe for trouble. "You have to be very, very brave to call the top for the tech sector," said Shah, a senior global investment strategist. "The great times for technology are probably behind us now."

The S&P 500 technology sector fell 8.9% in May, its worst month since 2008.

While the group was up 0.9% in New York on Wednesday, tech stocks are still roughly 7% from a record high set in April. So far this week, Facebook Inc and Google parent Alphabet Inc have both fallen more than 5% in the face of regulatory concerns.

While neither company actually classifies as an S&P 500 tech company, they're often associated with the club.

Not that there's a blanket of doom and gloom over the entire sector, though. Some pockets, like software security companies, tend to be more stable and could continue to provide healthy returns, according to Shah.

But overall, Principal Global Investors is advising clients to shift their equity holdings to a more defensive posture.

Within sectors, Shah recommends utilities or real estate. Since the start of May, the two classic bond proxies are the only S&P 500 sectors in the green. Globally, she prefers US stocks over emerging markets. While the American benchmark fell 6.6% in May, the MSCI Emerging Markets Index dropped 7.5%.

The idea is to keep risk exposure, but up the onus on quality just in case the bad news falls away, she said.

"We don't expect there to be a recession, but we think there is a slowdown ahead," said Shah. "The best way to do it is you need to stay in risk, but be more defensively positioned for that slowdown."

Looming rare-earth 'crisis' spurs US supply push, says Blue Line CEO

Bloomberg
New York

US mining companies have been hesitant to wade back into rare earths after a 2011 price collapse, compounding the challenge of cutting the nation's reliance on China for the minerals used in everything from cell phones to fighter jets.

Restrictions on Chinese exports of the mineral sent prices of the raw material used in military equipment and home appliances to a record in 2011, encouraging companies to consider investing in new production facilities.

Interest in rare-earth projects began to wither as prices tumbled after the Asian nation lifted curbs on shipments, said Jon Blumenthal, the chief executive officer of San Antonio, Texas-based Blue Line Corp.

"Unfortunately for us, they haven't actually followed through," Blumenthal said in a telephone interview. Producers were discouraged by stiff competition from China, which sells the raw material below the cost, he said. It's only when "there's a crisis that people really look at it. This is really when the subject matter comes up." The US highlighted the urgency of securing the nation's access to rare earths, with Commerce Secretary Wilbur Ross promising "unprecedented action" at a time when China, which accounts for 71% of global output, is reviewing proposals for export controls amid an escalating trade war between the two biggest economies. While that has revived interest in boosting American supplies, the projects won't come online until next year.

US companies are already rushing to the market to secure enough rare earths and magnets to meet their needs over the next six months to a year, concerned that China may restrict shipments, Scott Tubbs, vice president of sales and marketing at Quadrant Magnetics, said at the Argus US Specialist Metals conference in Chicago.

A block on shipments of rare earth metals and alloys to the US is "manageable if ex-China processing gets built out swiftly," Citigroup Inc analysts including Oliver Nugent wrote in a report.

"The impact gets much more serious were a ban to extend into rare earth fabricated products - especially magnets and motors, or through third-party suppliers." Magnet designers are also looking for ways to reduce use of rare earth elements including dysprosium in some products, Tubbs said.

It will take government and investor support to accelerate mining and processing projects in the US to reduce China's dominance in the market, Citigroup analysts said.

The Commerce Department issued a report recommending measures including expediting approvals of mining permits.

Blue Line has entered into a joint venture with Lynas Corp to build a plant in Hondo, Texas, that would be the only large producer of separated medium and heavy rare earths products outside of China.

The project will help "close a critical supply chain gap" for US manufacturers that use the mineral, Lynas CEO Amanda Lacaze said in May.

Lynas, the largest producer outside of China, has been in talks with Blue Line long before the Asian nation was said to be gearing up to weaponise rare earths in its trade war with the US.

Europe's new tech giant is 100 times more outrageous than Facebook

By Alex Webb

Europe wanted a consumer technology giant to rival Silicon Valley. It's getting one – along with California-style disregard for public investors.

When Naspers lists its technology investing unit in Amsterdam next month, the new company will have a market capitalisation that's likely to top $100bn, a valuation derived entirely from its 31% stake in Tencent Holdings. The parent trades at a discount to the value of its holding in the Chinese web giant.

But Naspers will also bring with it a dual shareholding structure to match or even exceed the worst practices of tech behemoths such as Facebook or Google parent Alphabet.

It's a holdover of Naspers's current set-up, where the two classes of stock give the chairman and his cohort extra voting rights. Its rationale lies in the Johannesburg-based company's origins as an Afrikaans newspaper owner.

Like *The New York Times* Co, which has a similar structure, the arrangement is supposed to ensure editorial independence by preventing malign influences from building up a stake and trying to dictate editorial policy. But it also makes it more difficult for shareholders to hold management to account. However much sense that makes for journalists, it's hard to see how the safeguards are needed for investors in food delivery and e-commerce startups, which is where the new company is directing its funds.

Even the argument that a guarantee of independence is required for its stake in Russian social media and messaging platform Mail.Ru seems thin. Naspers is adamant that a multiplicity of shareholders are represented in the two main holding companies that control the firm, and that their main objective is to preserve its independence.

Naspers is listing about a quarter of the new firm, known as NewCo for now, and retaining the rest. While an exchange-traded "N Class" share in NewCo will confer one vote on its owner, the holders of the unlisted "A Class" stock will have 1,000 votes, just as they currently do in Johannesburg, should Naspers's voting interest in the NewCo drop below 50%.

Dual classes of shares aren't uncommon, but seldom on this sort of scale. Volkswagen AG, Ericsson AB, Altice Europe are among European firms with dual structures, but the voting ratios are generally much lower.

And they are the exception, not the rule.1 At Facebook, Mark Zuckerberg and his co-founders have "Class B" shares, which enjoy 10 times as many votes as the "Class A" shares that are publicly traded.

A logo is displayed inside the headquarters of Naspers in Cape Town. When Naspers lists its technology investing unit in Amsterdam next month, the new company will have a market capitalisation that's likely to top $100bn, a valuation derived entirely from its 31% stake in Tencent Holdings.

That arrangement has provoked dissatisfaction enough as the social network's shareholders have been helpless in the face of management missteps over data and privacy. But it looks almost progressive compared to Naspers, where the voting concentration is 100 times greater. The situation at the Johannesburg-based company is exacerbated by the opacity of the ownership structure.

The super voting shares reside in a series of holding companies. In a legal dispute two years ago, rival media firm Caxton alleged that those holding companies were in turn controlled by Naspers Chairman Koos Bekker and other veterans of the firm, including non-executive director Cobus Stofberg. Irrespective of who ultimately calls the shots, the point is that we don't quite know. It's thoroughly unsatisfactory.

What's more, the Silicon Valley firms are controlled by their founders, who are supposed to have a singular corporate vision. While Bekker and his colleagues helped transform Naspers, the firm dates back to 1915. Bekker did not found it. Why he merits more votes is therefore unclear.

Who has the power to affect this? Without outside pressure, the A Class shareholders have little incentive to sacrifice control.

Investors can complain until they're blue in the face, but if they want to get a piece of Tencent's growth, they know they have to stomach the huge imbalance.

Two groups have the ability to push back: the stock exchanges and the index creators. In Hong Kong, for instance, the exchange limits supervoting shares to 10 times the votes of normal stock, and makes it harder for holders to wield their additional power after they leave the company.

But Euronext, which owns the Amsterdam stock exchange, would risk losing the lucrative Naspers listing to a rival if it sought to impose similar strictures – stock offerings generated about 8.6% of its 2018 revenue. It would also forego the distinction of having such a prominent firm on its exchange. In the context, you can see why Euronext is being so spineless. The more achievable approach would be for index operators to exclude firms with dual structures, since no exchange seems likely to push back. S&P Global has taken that route, which is why Snap, which confers no voting rights whatsoever on ordinary shareholders, isn't a constituent of the S&P 500. But it hasn't imposed the same rules on those existing listings with dual stocks.

Naspers's European listing is partly intended to attract index investors – it expects to be newly eligible for nine indices. If the operators of those groupings were to stipulate that the shareholding structure is an obstacle to joining, it would be a positive step.

And it will be difficult to persuade startups planning to list in Europe to adopt a structure which represents all shareholders equally when what could be the region's biggest tech firm doesn't. It would risk making poor shareholder representation de rigueur in Europe, and it's harder to put toothpaste back in the tube than to stop it escaping to begin with. Exchanges and indices have an opportunity to lay down a marker, and they should.

■ *Alex Webb is a Bloomberg columnist covering Europe's technology, media and communications industries.*

MP Ahammed (centre) being felicitated at a ceremony where Malabar Gold & Diamonds was recognised as the 'Best Brand' by *The Economic Times.*

Malabar Gold & Diamonds recognised as one of 'Best Brands 2019'

Malabar Gold & Diamonds, one among the largest jewellery retailers globally with a strong retail network of 250 outlets spread across the globe, was recognised as the 'Best Brand' by *The Economic Times.*

ET Edge senior director Rishi Kapoor felicitated MP Ahammed, chairman, Malabar Group in the presence of Asher O, managing director (India Operations) of Malabar Gold & Diamonds.

The Economic Times had conducted a detailed survey across some 15 industries in 12 tier-1 & tier-2 cities amongst the demographics from the age of 21-50 years and had selected best 25 brands across various categories including BFSI, education, healthcare, FMCG, technology, lifestyle, luxury and much more. On basis of the extensive survey, Malabar Gold & Diamonds has been recognised as one of '*The Economic Times* Best Brands 2019'

Over the 25 years of its operation, the company has developed a strong retail presence in India, Middle East, Far East & US with a network of 250 outlets across ten countries.

With an annual turnover of $4.51bn, the company today ranks among the top jewellery retailers globally.

Malabar Gold & Diamonds has always kept customer-first as the principal attitude in all its steps taken and takes efforts at satisfying the discerning needs of its multinational and multicultural customers by incorporating the diverse tastes in the splendid jewellery designs that they showcase.

Trump's Mexico reprieve offers rare good news for world economy

Bloomberg
Washington

President Donald Trump's reversal of plans for new tariffs on Mexico is rare good news for a world economy that's being buffeted by escalating US-China trade tensions.

Central bank chiefs and finance ministers gathered in Fukuoka, Japan, for meetings of the Group of 20 were quick to welcome Trump's reprieve, saying it removed one of the biggest worries for companies and investors.

"It's good that the 5% tariffs won't now be imposed, and that's not just good for the US and Mexico, it's also beneficial for the global economy," Bank of Japan Governor Haruhiko Kuroda told reporters.

Some 0.6% of global output is embedded into trade flows between Mexico and the US, according to Bloomberg Economics, and 15.5% of Mexico's GDP depends on trade with the US.

Tariffs on that flow threatened to add to the drag already being felt by the levies China and the US have inflicted on each other's goods in their deepening trade confrontation. Indonesia Finance Minister Sri Mulyani Indrawati described the Mexico news as "very plus" and said it may signal that the US and China can also reach an agreement in their trade dispute. "We do hope this recognition is going to create a more reasonable policy direction," Indrawati said in an interview with Bloomberg Television.

Broader concerns over rising protectionism and the US-China trade war is dominating discussions here, with officials warning the dispute continues to hurt growth. They are wrangling over language on how to describe global trade disputes in a communique that is to be published at the meeting's conclusion.

A fifth draft version of the statement seen by Bloomberg News referenced the need for a "pressing need to resolve trade tensions" amid an escalating conflict between the US and China.

A street vendor is seen among trucks waiting in queue for border customs control, to cross into the US, at the Otay border crossing in Tijuana, Mexico. President Donald Trump's reversal of plans for new tariffs on Mexico is rare good news for a world economy that's being buffeted by escalating US-China trade tensions.

Treasury Secretary Steven Mnuchin said the US remains open to continued negotiations with China on trade and will meet with China's top central banker, Yi Gang, this weekend, giving him the first chance to break an impasse since talks broke down last month. But Mnuchin said "this is not a negotiating meeting," even as he signalled a willingness to get talks rolling again.

"If they want to come back to the table and have a real agreement we will negotiate. If not, we'll go forward with our plan" to impose more tariffs, Mnuchin told reporters.

On Mexico, Mnuchin said he "couldn't be more pleased with the deal." Mexico deal: Trump's big threat and last-minute pull back Leading into the meetings, the World Bank cut its 2019 global growth forecast, citing a slowdown in trade growth to the weakest since the financial crisis a decade ago and a drop in global investment.

The bank forecast that the world economy will expand 2.6% this year, compared with a projection of 2.9% it made in January.

"There's no doubt that the escalating trade tensions have weighed on the global economic outlook," Australian Treasurer Josh Frydenberg told Bloomberg Television on Friday. On a panel yesterday in Fukuoka, China's Finance Minister Liu Kun warned the world economy is weak.

Deborah Elms, who tracks the negotiations at the Singapore-based Asian Trade Center, said even the threat of tariffs will leave long term damage.

"He got what he wanted. Why not do it again?," Elms said. Elsewhere, in a sign that multilateralism is not completely out of fashion, policy makers at the meetings called for continued progress on finding ways to limit international tax evasion.

Cooperation "stands out as a case study on how multilateralism can be effective in the face of today's challenges," India Finance Minister Nirmala Sitharaman said on a panel yesterday. "Multilaterally is the way to go," Angel Gurria, secretary-general of the Organisation for Economic Co-operation and Development, said on the same panel.

G20 agrees to push ahead with digital tax

Reuters
Fukuoka, Japan

Group of 20 finance ministers agreed yesterday to compile common rules to close loopholes used by global tech giants such as Facebook to reduce their corporate taxes, a copy of the bloc's draft communique obtained by Reuters showed.

Facebook, Google, Amazon, and other large technology firms face criticism for cutting their tax bills by booking profits in low-tax countries regardless of the location of the end customer.

Such practices are seen by many as unfair. The new rules would mean higher tax burdens for large multinational firms but would also make it harder for countries like Ireland to attract foreign direct investment with the promise of ultra-low corporate tax rates.

"We welcome the recent progress on addressing the tax challenges arising from digitisation and endorse the ambitious program that consists of a two-pillar approach," the draft communique said. "We will redouble our efforts for a consensus-based solution with a final report by 2020."

Britain and France have been among the most vocal proponents of proposals to tax big tech companies that focus on making it more difficult to shift profits to low-tax jurisdictions, and to introduce a minimum corporate tax.

This has put the two countries at loggerheads with the United States, which has expressed concern that US Internet companies are being unfairly targeted in a broad push to update the global corporate tax code.

"The United States has significant concerns with the two corporate taxes proposed by France and the UK," US Treasury Secretary Steven Mnuchin said yesterday at a two-day meeting of G20 finance ministers in the Japanese city of Fukuoka.

"It sounds like we have a strong consensus" about the goals of tax reform, Mnuchin later said.

"So now we need to just take the consensus across here and deal with technicalities of how we turn this into an agreement." Mnuchin spoke at a panel on global taxation at the G20 after the French and British finance ministers voiced sympathy with his concerns that new tax rules do not discriminate against particular firms.

Big Internet companies say they follow tax rules but have paid little tax in Europe, typically by channelling sales via countries such as Ireland and Luxembourg, which have light-touch tax regimes.

The G20's debate on changes to the tax code focus on two pillars that could be a double whammy for some companies.

The first pillar is dividing up the rights to tax a company where its goods or services are sold even if it does not have a physical presence in that country.

If companies are still able to find a way to book profits in low tax or offshore havens, countries could then apply a global minimum tax rate to be agreed under the second pillar.

The path to a final agreement is still fraught with difficulty because of disagreement on a common definition of a digital business and on how to distribute tax authority among different countries.

"There are differences between the United States and United Kingdom over pillar one. As for pillar two, there are also differences in views within the Group of 7," said a senior Japanese finance ministry official present at the G20.

The G7 likely will not issue any communique at a meeting of the world's leading economic powers next month, according to the official.

Still, several finance ministers at the G20 said yesterday they needed to act quickly to correct unfair corporate tax codes or risk being punished by voters.

"We cannot explain to a population that they should pay their taxes when certain companies do not because they shift their profits to low-tax jurisdictions," French Finance Minister Bruno Le Maire said during the panel discussion.

The US government has voiced concern in the past that the European campaign for a "digital tax" unfairly targets US tech giants.

After listening to presentations by Le Maire and British finance minister Philip Hammond, Mnuchin said on Saturday G20 countries should issue "marching orders" to their respective finance ministries to negotiate the technical aspects of a deal.

Russia may tap wealth fund for investment as foreigners pull out

Bloomberg
Moscow

Russia may start spending its National Wellbeing Fund on local projects next year as the Kremlin struggles to attract foreign investment for its $400bn stimulus package to boost economic growth.

As the Finance Ministry moves to ease the budget rule, it will review any investments that make use of the fund with the central bank in order to assess any possible monetary impact, First Deputy Prime Minister Anton Siluanov told reporters yesterday at the St Petersburg International Economic Forum.

"Foreign investment is falling, we need internal investors," Siluanov said. "We could deploy the funds on the understanding that they would be returned and in projects that attract investment from private businesses."

The Finance Ministry previously opposed investing the fund domestically because it could lead to an acceleration in inflation. It's searching for money to implement President Vladimir Putin's National Projects initiative, which he hopes will help to double the growth rate by the end of his current term in 2024. Russia has the lowest direct foreign investment as a percentage of economic output of any developing country.

The plan may meet resistance at the central bank, which has helped bring inflation down to historic lows. Governor Elvira Nabiullina said at the conference on Thursday that Russia needed structural reform to raise growth rates rather than to throw money at development.

"There's the desire for an immediate impact here and now, and suddenly the question of state investment, spending from the National Wellbeing Fund that we've saved up, and softening monetary policy," Nabiullina said.

Airbus woos American Airlines with new jet in deja vu for Boeing

Bloomberg
Chicago

With the aerospace industry's biggest annual trade expo approaching, Boeing Co is hearing echoes of a sales debacle eight years ago that helped give rise to the 737 Max - the airliner currently grounded after two deadly crashes.

At the 2011 Paris Air Show, Airbus SE was successfully coaxing American Airlines to make its first jet purchase from the European planemaker in decades. Blindsided, Boeing shelved planning for a new narrow-body plane in favor of a quicker upgrade that became the Max.

Fast forward to 2019, and Airbus is again in talks with American - this time for a longer-range version of its largest-single-aisle jet, a plane that is likely to be unveiled at this year's Paris exhibition. With the proposed A321XLR, Airbus is seeking to steal customers from a distracted Boeing after executives postponed a decision on an all-new model for middle-distance routes while they deal with the Max crisis.

American is taking a hard look at the XLR, whose redesigned centre fuel tank would give it the range to cruise easily between central Europe and the US heartland, people familiar with the matter said.

While American and Airbus don't have plans to announce an agreement this month in Paris, aircraft deals can sometimes come together quickly, one of the people said. Airbus and American declined to comment.

American, the world's largest airline, is one of a handful of carriers whose fleet decisions will play an outsize role as Airbus and Boeing vie for dominance in a midsize segment that overlaps the biggest single-aisle and smallest twin-aisle aircraft.

India's IndiGo, British Airways owner IAG SA, JetBlue Airways Corp and serial airline entrepreneur David Neeleman have already expressed interest in the XLR.

By formally committing to move ahead with the XLR, Toulouse, France-based Airbus would have a chance to clip potential sales from a twin-aisle airliner family contemplated by Boeing. The Airbus plane wouldn't be available until 2023 or 2024 because of production constraints unless customers converted existing A320neo-family orders to the XLR, the company said this week.

Boeing has put product-strategy decisions on the back burner as executives focus on returning the 737 Max to flight as a worldwide grounding nears the three-month mark.

Executives have maintained that their proposed new twin-aisle plane could still begin commercial service by 2025, even though they don't expect to decide whether to proceed with the program until next year.

The potential new offering is nicknamed the "797" by analysts and known within the company as the "NMA," for new mid-market airplane. US carriers such as American, Delta Air Lines Inc and United Continental Holdings Inc – with large fleets of Boeing's mid-range 757 and 767 jetliners – have been viewed as flagship customers for the new jet family.