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Canadian economy recovers sharply in Q2 as domestic demand revives

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BUSINESS

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Russia's gasoline output 'drops to 70% of domestic demand' late in August

Qatar startup incentives gain traction among foreign tech companies

By Peter Alagos
Business Editor

Recent policy measures to expand Qatar's startup ecosystem are attracting international technology companies, with founders leveraging new setup pathways while pushing for more accessible early-stage grant funding.

"Being here made us look at the GCC market more closely. We saw limited options for businesses looking for affordable and flexible cloud infrastructure and felt this was a problem we could help solve.

"So, Qatar became more than just another market for us. We saw it as a strategic base to serve the wider GCC and eventually the world," CloudZigo founder and managing director Abdul Sakhib Mohammed told *Gulf Times*.

The cloud infrastructure firm, which established its operations in Doha following Web Summit Qatar 2026, represents a growing wave of foreign ventures shifting regional bases to the country.

"That's how we eventually got invited to Web Summit Qatar 2026, which was my first real introduction to Qatar…Our goal was never to build a company just for Qatar but to build from Qatar for the world," Mohammed explained.

The company, incubated at Qatar Science & Technology Park (QSTP), points to regulatory reforms, 100% foreign ownership options, and streamlined licensing via the Ministry of Commerce and Industry's (MoCI) Single Window as key operational enablers.

"The availability of 100% foreign ownership for eligible businesses and the Qatar Financial Centre's streamlined setup and licensing have made things much easier, although the cost can be a consideration for early-stage companies. MoCI's Single Window is also very helpful," he pointed out.

CloudZigo founder and managing director Abdul Sakhib Mohammed.

According to Mohammed, incubation within QSTP provided the firm with structured access to local corporate networks and state-backed entities, strengthening its commercial trajectory in the Gulf region.

"The biggest change was that we no longer felt like we had to figure everything out alone. We already had a functioning business, customers, and a team, so QSTP didn't change our foundation; it strengthened it. The biggest value was access to mentors, networks, Qatar Foundation, corporates, and the wider ecosystem," he emphasised.

Government initiatives announced at Web Summit Qatar, including the expansion of the Qatar Investment Authority's Fund of Funds programme to $3bn and new 10-year residency tracks, have bolstered international interest in the domestic market.

"Some benefits have already touched us: registration and setup incentives, tax benefits, and I've also applied for the new Entrepreneur Ruby Residency and am currently waiting for approval," noted Mohammed.

However, founders note that the next critical phase for the local ecosystem lies in translating high-level policy announcements into accessible direct funding for early-stage ventures, stated Mohammed, noting that while top-tier announcements build ecosystem momentum, practical execution on the ground remains the true test of policy effectiveness.

He pointed out that while CloudZigo generates revenue, many incoming entrepreneurs operate pre-revenue startups that require patient capital to establish proof of concept.

Mohammed urged regional investors to adopt a broader risk appetite, noting that early-stage ventures cannot always present fully proven financial metrics on day one. "I'd also like to see investors take a little more calculated risk with early-stage founders, rather than expecting everything to be proven from day one," he emphasised.

He noted that extending practical assistance, such as Qatar Development Bank's four-week housing allowance, could significantly ease the cost burden on incoming entrepreneurs during their initial setup phase.

Mohammed said he expects the influx of international founders to accelerate as Qatar carves out its distinct position alongside established regional markets.

Fed chair Warsh flags high US inflation as 'concerning'

AFP
Washington

US Federal Reserve chair Kevin Warsh on Friday offered rare insight into his economic outlook, flagging that high inflation in the world's largest economy was "concerning" and saying that he saw current interest rates as not being "restrictive."

Warsh, appointed by US President Donald Trump and in office since May, was kicking off a key central banking meeting in Jackson Hole, Wyoming — a storied venue for monetary policy watchers.

"On the price-stability side of our mandate, the numbers are more concerning," said Warsh, according to prepared remarks shared with AFP.

He added that he would be "hard pressed" to describe current financial conditions as "restrictive," a potential hint that interest rate hikes could be on the horizon.

The US central bank has missed its long-term two-percent target for inflation for more than five years, with the latest measure of the Fed's preferred gauge coming in at 3.7% this week.

Warsh, who has been reticent to share his views on the economy since he took office, said that the central bank's "predominant focus right now should be on prices."

"We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do," he said.

The Fed has held rates steady through 2026, but a growing faction of policymakers has called for interest rate hikes to combat inflation fueled by US President Donald Trump's war on Iran and his tariff policies.

At its last meeting in July, the Fed once again held rates, but a quarter of voting members on the rate-setting committee dissented, calling for an immediate hike.

Warsh had positives to note elsewhere in his economic outlook, however.

"Today I am impressed by the overall performance of the economy, which appears to have strengthened," he said, noting metrics in business capital expenditures, corporate earnings and consumer spending.

The Fed has a dual mandate to keep long-term inflation to its 2% target while also delivering maximum employment.

Unemployment has remained relatively steady in the US over the last year, despite seesawing job growth numbers

Federal Reserve Chairman Kevin Warsh (centre) arrives at the Jackson Hole Economic Symposium in Jackson Hole, Wyoming. On Friday, he offered rare insight into his economic outlook, flagging that high inflation in the world's largest economy was "concerning" and saying that he saw current interest rates as not being "restrictive."

— mainly due to demographic shifts driven by an aging population and lower net immigration.

"On the employment side of the Fed's dual mandate, our country is doing well," said Warsh, noting he believed the current unemployment level of 4.1% was "consistent with full employment."

Warsh also spoke of the effects of artificial intelligence technology on the US economy, calling the current moment "a hinge point in history."

The central bank has been investigating the effect of AI on productivity and jobs through a task force formed by Warsh after he took office earlier this year.

Notably, Fed Chair Warsh's speech made no mention of the central bank's independence, which has been under unprecedented attack by US President Trump since the latter took office last year.

Earlier this month, Trump renewed his attempts to fire Fed Governor Lisa Cook, and he frequently insulted and criticized Warsh's predecessor Jerome Powell as he demanded lower interest rates — despite high inflation.

Warsh signals Fed may need to raise rates on high inflation

The US central bank will "have work to do" if policymakers don't get the confidence they need that inflation is heading down to 2%, Federal Reserve Chairman Kevin Warsh said on Friday, coming closer than he has to acknowledging interest rate hikes may be needed to ease price pressures, reports Reuters.

"Here is my standard: We must be confident that underlying inflation is moving to our objective, clearly and at sufficient speed. Otherwise, we have work to do. That's our job... our mandate... and our charge to keep," Warsh said in the keynote speech to the Fed's Jackson Hole economic symposium in Wyoming.

The remarks drew applause from an audience of global central bankers hungry for more than the vague promises to deliver price stability that have been a feature of Warsh's previous remarks. Markets also heard the message, raising bets on a rate hike next month that had previously been priced in as more of a long shot.

"We're moving up on six years where we've been above target" on inflation, former Philadelphia Fed President Patrick Harker said. "You can't keep saying this is our job" and then not act, he added. "As the old saying goes, actions speak way louder than words."

While much of Warsh's16-page address focused on large issues, like the influence of artificial intelligence, that he feels will be critical in the long run, it also included some key acknowledgements — including that "short-term interest rates are the predominant tool to achieve the dual mandate." Notably, Warsh said the recommendations of five task forces he has commissioned to study longer-term issues "will come later and have no bearing on decisions we make in the current policy conjuncture. But I believe that for future policy challenges, this intellectual investment today will leave us far better prepared." **Page 4**

Pipelines and ports: Iran war spurs Gulf infrastructure investment

Reuters
Dubai

The Iran war's redrawing of the global trade map is forcing Gulf nations to retool their investment play book, ploughing capital into infrastructure, from energy pipelines to ports, to weather the fallout from the conflict.

The war has highlighted the Gulf's overreliance on the Strait of Hormuz, previously a chokepoint for 20% of global oil flows but also subject for decades to Iranian threats of disruption.

With the strait virtually blocked for much of the past six months, a burst of billions of dollars of investment commitments has emerged as Gulf energy exporters try to future-proof their economies now facing a slowdown.

Trade is being redirected to Saudi ports on the Red Sea and the United Arab Emirates' eastern ports but capacity is smaller. Gulf governments are looking at ways to create permanent, integrated solutions to get around using the Strait of Hormuz, said an industry source, declining to be named due to the sensitivity of the matter.

While most Gulf governments can tap into oil riches accumulated over decades, some may look to external funds as they work towards ambitious foreign direct investment targets and as big infrastructure funds and other international investors show interest in the region's assets.

Costs could exceed hundreds of billions of dollars in the coming years and Gulf sovereign wealth funds, among the biggest in the world, are already stepping in to accelerate the push.

Ports have emerged as a "mission-critical priority" for Gulf governments, including Saudi Arabia, said a second industry source.

"If two years ago sports was the big buzz thing, I think for the time being, next year or two, they're going to say ports, ports, ports," he said.

Abu Dhabi sovereign wealth fund L'IMAD said last week it plans to buy out the rest of AD Ports as it revamps the company's strategy.

AD Ports operates ports in the United Arab Emirates and across the globe, but its UAE

An Emirati man looks at a docking station in the Khalifa Port in Abu Dhabi (file). Ports have emerged as a "mission critical priority" for Gulf governments, according to industry sources.

container throughput, as well as bulk and general cargo volumes, dropped by around two thirds in the second quarter from a year earlier as the company said it operated "through perhaps the most significant challenge in its 20-year history."

Dubai's DP World, one of the world's biggest port operators, also saw business decline in the first half. It plans to develop two container terminals in Fujairah, where the UAE is building a new oil pipeline that will double crude capacity to Fujairah when it becomes operational next year. DP World is also working on inland container depots in the UAE.

Zin Bekkali, chief executive of UK-based investment management firm Silk Invest, says Gulf governments have the capital to fund some or most of this accelerated investment in infrastructure internally.

"So infrastructure is definitely an area which we think is going to benefit," Bekkali said.

Saudi Arabia has fast-tracked billion-dollar plans to steer oil away from Hormuz, including a capacity expansion of its crude pipeline to the western Red Sea coast, sources told Reuters last month, potentially helping neighbours transport more oil without crossing the strait.

Beyond disruptions to shipping, strikes on production facilities in the Gulf have significantly affected oil refineries, aluminium plants and data centres among others, while air traffic remains below pre-war levels, impacting tourism and business flowing through the region.

Kuwait Petroleum Corp is in discussions with Saudi Arabia and the UAE to expand their pipeline systems to accommodate its oil shipments. Iraq is working to expand its oil exports through Turkey's Ceyhan port and aims to begin exporting oil through ports at Syria's Baniyas and Jordan's Aqaba, involving new pipelines.

There has been some opening up of the Strait of Hormuz recently but trade is limited and there is no clear end in sight to the conflict between Iran and the US despite a cooling of hostilities. Control of Hormuz is one of the most contentious points of disagreement, and countries are joining forces to find new ways to reduce reliance on it.

Turkey and Saudi Arabia aim to build a railway to link the two countries with Jordan and Syria in the next three or four years, Turkey's transport minister said in June, adding other Gulf countries would join the project.

"The recent Strait of Hormuz crisis has given us a very important lesson that these vulnerabilities are real... and they can happen anytime at any chokepoint," said Afaq Hussain, a former senior fellow at the Middle East Initiative at the Atlantic Council.

BUSINESS

Toyota sales, production fall on sharp declines in China, Middle East

A Toyota new bZ4X EV is displayed at the Gaikindo Indonesia International Auto Show (GIIAS) at the Grand City Convention and Exhibition Hall in Surabaya. Toyota Motor said on Friday its global vehicle sales and production fell in July, weighed by declines in China, the US and the Middle East, which offset a stronger performance in Japan, reports Reuters. Global sales fell 4.8% from a year earlier to 856,125 vehicles, while production dropped 2.1%. A 24.3% plunge in China dragged sales down, marking a sixth successive month of decline, as higher petrol prices weighed on demand for hybrid and traditional combustion engine vehicles, Toyota said. Sales in the US, Toyota's largest market, slipped 0.8%, while those in the Middle East dropped 44.5%, offsetting an 11.0% rise in Japan. A sharp 32.7% drop in China and a 4.0% decrease in the US pulled production down, despite a 12.4% rise in Japan.

Russia's gasoline output 'drops to 70% of domestic demand'

Reuters
London

Russia's gasoline production fell to about 70% of domestic consumption levels by the end of August after a series of drone attacks forced major refineries to suspend operations, according to two industry sources.

Ukraine has stepped up attacks on Russia's energy infrastructure in a bid to curb Moscow's revenues, creating a fuel crisis that has forced Russia to import petroleum products and maintain sales restrictions across the country.

After a brief respite at the end of July, when some local authorities began easing or lifting restrictions on fuel sales, shortages returned to Russian regions in August.

Gasoline production at the end of August dropped to roughly the same level seen in early July, at the peak of the first wave of a fuel crisis that had been building since May, according to sources.

Regional authorities have re-imposed restrictions, including limits on purchases per customer and sales schedules based on vehicle registration plate numbers.

The impact of the shortages has been partially softened by drivers avoiding non-essential trips because of the risk of long queues at filling stations or running out of fuel.

Over the past week, drones struck and halted operations at several major refineries, including plants in Perm, Nizhny Novgorod and Yaroslavl, all significant producers of motor gasoline.

A petrol truck is parked near oil tanks at Volodarskaya LPDS production facility owned by Transneft oil pipeline operator in the village of Konstantinovo in the Moscow region. After a brief respite at the end of July, when some local authorities began easing or lifting restrictions on fuel sales, shortages returned to Russian regions in August.

The emergency shutdowns widened the gap between gasoline production and market demand to about 35,000 metric tons per day, meaning that current output, of around 80,000 tons per day, compensates only for 70% of domestic demand, the sources said.

Average gasoline production in August stood at about 90,000 tons per day, equivalent to roughly 80% of estimated summer demand of 115,000 tons per day. Russia's Energy Ministry did not respond to a Reuters request for comment.

The fuel deficit has forced Russia to increase imports of petroleum products.

Seaborne supplies from Asian countries are expected to total about 270,000 tons in August, while gasoline imports from Belarus are seen reaching around 150,000 tons during the month, or roughly 5,000 tons per day, according to market participants.

In total, about 220,000 tons of imported gasoline have already arrived in Russia in August, traders estimate, averaging around 7,000 tons per day.

With gasoline exports banned until January 31 and imports supplementing domestic production, supplies to the domestic market could average about 97,000 tons per day in August, or around 85% of demand.

Flat French growth in second quarter puts outlook at risk

Reuters
Paris

French growth flatlined in the second quarter, the national statistics agency said on Friday, revising down a preliminary reading and casting doubt on the outlook for the rest of the year.

Finance Minister Roland Lescure said the downgrade "is the first impact of the horrible summer that we had" during which France saw a succession of heatwaves, drought and wildfires.

The INSEE statistics agency said that it had revised growth for the three months through June from 0.2% in an initial reading to 0.0% after the euro zone's second-biggest economy contracted 0.2% in the first quarter.

It put the revision down in part to weak agriculture production, which was hit particularly hard by the summer heatwaves and drought.

Weaker-than-expected growth in turn raises the risk that the government will not be able to cut its fiscal deficit to 5.0% of economic output as planned this year from 5.1% last year

The downgrade puts the government's full-year growth forecast of 0.7% all but out of reach as the economy would need to grow 0.5% in both the third and fourth quarters to reach it, according to INSEE.

Weaker-than-expected growth in turn raises the risk that the government will not be able to cut its fiscal deficit to 5.0% of economic output as planned this year from 5.1% last year.

Lescure told an economics conference that his ministry would need to factor in a likely weak third quarter when it updated France's growth and deficit forecasts in September before presenting the 2027 budget bill in early October.

INSEE said household consumption, the traditional driver of French growth, rose to +0.3% from -0.3% in the first quarter of 2026, boosted by a rise in consumption of food, energy and manufactured goods.

Exports rose sharply to +2.9% after -3.0% in the previous quarter, driven by a strong rebound in aeronautical exports, the office said. But as companies stepped up shipments, they drew down inventories, which subtracted 0.7% from second quarter growth.

Separately, INSEE said that inflation accelerated to a three-month high of 2.7% in August as energy prices rebounded, according to EU-harmonised data.

The extreme weather over the summer has complicated a growth outlook that was already clouded by a series of external shocks over the past year, including a tariff dispute with the US, and high energy prices due to the US-Israeli war with Iran.

Shipping traffic via Strait of Hormuz slips below 10-day average

Seven commodity vessels transited the Strait of Hormuz on Thursday, down from 17 a day earlier and below the 10-day average of 15, preliminary shipping data showed on Friday, reports Reuters.

Among the seven vessels that transited were two medium-range tankers, one very large gas carrier (VLGC), one Ultramax vessel, one intermediate tanker and two chemical tankers, initial data from shiptracker Kpler showed at 0315 GMT.

Four of the vessels were exiting the strait, including the two chemical tankers, the medium range and intermediate tanker. The VLGC, Ultramax and the other medium range tanker were entering the strait.

The figures could change as some ships typically switch off transponders during the voyage.

Iran war mediators have placed renewed emphasis on reopening the Strait of Hormuz, with Tehran agreeing to draw up a list of conditions to restore normal traffic.

Earlier on Wednesday, a senior Iranian source said Iran and Oman were still working on details of an agreement on the waterway after Iran's Revolutionary Guards said the two countries had agreed on how to share control of the strait and its revenues.

Meanwhile, 17 commodity vessels transited through the Bab el-Mandeb, another major maritime chokepoint in the Middle East, with six vessels entering and 11 exiting.

How Shein had to make peace with China to finally go public

Reuters
Hong Kong

When Shein makes its market debut on Tuesday, it will be in Hong Kong and not New York or London like it once dreamed — symbolic of the long journey the fast-fashion online retailer has had to make to embrace its identity as a Chinese company.

Shein, which famously moved its headquarters to Singapore in late 2021 and spent years touting its credentials as a global company, first attempted to go public in New York and then in London.

Both times, sources have said it failed to secure approval from Chinese authorities including the securities regulator, which oversees foreign-registered companies with significant operations in China.

After pivoting to a Hong Kong IPO in the first half of 2025, Shein's founder Sky Xu sought to build ties with Chinese authorities and became more personally involved in regulatory and capital markets outreach in China, according to two people familiar with those efforts.

Normally not one to make public appearances, Xu also spoke at a business forum in Shein's manufacturing heartland in February this year, pledging $1.5 bn of Shein investment.

"We will continue to deepen our roots in Guangdong... to build Shein's smart supply chain system, working together to create a world-class fashion industry cluster," he told an audience of officials and business leaders.

That pledge came a few months after Shein inaugurated a research and development centre in the eastern city of Nanjing where it was founded in 2012.

Efforts to highlight those business commitments helped persuade Chinese authorities that Shein remained a Chinese company at its core, which in turn helped it secure approval for the Hong Kong IPO, according to the two people and a third source.

All declined to be identified due to the sensitivity of the issue.

Shein did not respond to a Reuters request for comment. The China Securities Regulatory Commission also did not respond to a request for comment.

In other efforts to play up Shein's Chinese roots, officials of Guangdong province promoted the company before central government authorities as a prominent employer and creator of domestic jobs, said two of the sources.

It was a message that may have resonated as China increasingly grapples with rising unemployment. The Guangdong provincial government's information office did not respond to a faxed Reuters request for comment.

Shein also highlighted in its outreach efforts that it does not sell its ultra-cheap products in China and does not contribute to the cut-throat competition between e-commerce platforms that is driving deflation and which regulators have vowed to crack down on, according to one of the sources.

Instead, Shein argued its overseas business helps the Chinese economy by bringing in dollars, the source said.

Shein, known for selling $5 tops and $10 dresses, is set to raise $1.7bn in its IPO at a valuation of just $26.5bn, a little over a quarter of what it was worth in 2022.

Shein, known for selling $5 tops and $10 dresses, is set to raise $1.7bn in its IPO at a valuation of just $26.5bn, a little over a quarter of what it was worth in 2022

Before deciding to debut in Hong Kong, Shein had spent four years trying to present itself as a global player.

It had not only moved its headquarters, but also publicised its efforts to develop manufacturing hubs in Brazil and Turkiye and floated investing in factories in Europe or Britain.

Notably in 2024, Donald Tang, Shein's former executive chairman, characterised the company's values as American and said they were the reason for its success — comments which angered Chinese officials, according to two of the sources.

In its Hong Kong IPO prospectus, Shein described China as the anchor of its global logistics and fulfilment system and said nearly 80% of its workforce is located in mainland China.

The prospectus gives no details of its manufacturing in Brazil and Turkiye. Tang stepped down before the IPO filing.

In its efforts to list in the West, Shein not only faced opposition from Chinese authorities but also grappled with setbacks and pressure as US-China trade tensions worsened.

US lawmakers called for the Securities and Exchange Commission to mandate that Shein verify it does not use forced labour before it could list.

In Europe, retailers raised concerns about Shein unfairly competing and selling illegal products.

And after the US last year ended the de minimis duty exemption for ecommerce shipments under $800 — which had powered Shein's rapid growth — the European Union followed suit, imposing fees on low-value packages.

That Western pressure has also somewhat softened Chinese regulators' perspective on Shein, said a fourth source with knowledge of the matter. Beijing now views the company as a national champion deserving of support in an increasingly hostile external environment, the source said.

For many observers, Shein's final listing venue of Hong Kong makes the most sense.

"Corporate identity and geopolitical alignment are increasingly important determinants of where a company can list," said Lauren Yu-Hsin Lin, a professor of law focused on securities regulation at City University of Hong Kong.

Japan spends record $96bn in interventions to support yen: Ministry

AFP
Tokyo

Japan spent ¥15.4tn ($96bn) to boost the yen between late July and late August, the finance ministry said on Friday, the largest monthly intervention on record.

The Bank of Japan intervenes in the market under the instruction of the ministry to ease economic damage from sharp fluctuations in exchange rates.

The yen has been weakening because of the gap between Japanese and US interest rates, high oil prices and concerns about Prime Minister Sanae Takaichi's spending plans further swelling Tokyo's enormous debts.

The finance ministry data released on Friday showed that the market interventions happened between July 30 and August 26, but did not specify exact dates.

On July 31, Tokyo and Washington carried out their first joint intervention in 28 years to boost the yen that had hit a four-decade low.

US President Donald Trump confirmed the concerted action aboard Air Force One early this month, calling it a "signal of friendship" with Japan, and "good for the world economy".

The operation to buy yen came after the unit hit 163.99 per dollar last month, its weakest since 1986.

On July 31, it soared to 157.40, the strongest since early May.

On Friday, the yen was at 159.6 against the greenback.

The July intervention was the first time since 2011 when the US and Japan — and other G7 members — sold yen to stop it rising after a huge earthquake.

The last time Washington and Tokyo bought yen was 1998.

Experts say the Trump administration also acted to reduce the US trade deficit — a weak yen helps Japanese exporters — and to help Japan invest $550bn in the US as promised under a 2025 trade deal.

While good for its big exporters like Sony and Toyota, a weak yen inflates import costs for resource-poor Japan, especially oil just as the Middle East war strangles supplies from the Gulf.

The yen has been sliding despite previous interventions and comments by Finance Minister Satsuki Katayama that Japan was ready to act, remarks aimed at deterring investors from betting on the currency sliding further.

Japan's Finance Minister Satsuki Katayama speaks to the media about the US-Japan joint forex action upon her arrival at the Finance Ministry in Tokyo on August 3. The yen has been sliding despite previous interventions and comments by Katayama that Japan was ready to act, remarks aimed at deterring investors from betting on the currency sliding further.

Global equity funds snap 13-week inflow streak

Traders work on the floor at the New York Stock Exchange. Global equity funds snapped a 13-week streak of inflows in the week ended August 26, as investors turned cautious ahead of an earnings report from AI heavyweight Nvidia and potentially pivotal remarks from Federal Reserve Chair Kevin Warsh, reports Reuters. Investors withdrew $5.87bn from global equity funds during the week — the first weekly outflow since May 20 — and US equity funds recorded sizable net sales of $22.33bn, according to LSEG Lipper data. Nvidia on Wednesday forecast a 70% jump in revenue for the next fiscal year, easing concerns about AI demand even as supply constraints remain. Attention was turning to Warsh's remarks at the Jackson Hole Symposium on Friday, after three Fed officials warned about persistently high inflation. Investors, however, bought European equity funds of $7.92bn and Asian equity funds of $4.8bn during the week. Among sectoral funds, technology attracted net inflows of $3.2bn, while metals and mining funds drew $489mn. Financial-sector funds, however, recorded net outflows of $948mn. Inflows into global bond funds eased to a four-week low of $10.25bn during the week. Short-term bond funds remained popular, attracting a seven-week high of $6.29bn in net inflows. Euro-denominated bond funds also attracted inflows of $1.09bn, while investors withdrew $1.77bn from high-yield bond funds — their first weekly outflow since July 29.

Loonie versus aussie tells trade-tension tale for Canadian dollar; bigger drop seen

Reuters
New York

The Canadian dollar has held up relatively well against the US currency since Donald Trump took office in January 2025, suggesting tariff hostilities haven't caused major weakness.

But the loonie's slide against the Australian dollar looks more telling, and technical analysis suggests it may be on the cusp of a bigger drop.

Usually quoted in Australian dollars per Canadian dollar, a rising price graph means the Canadian dollar is weakening.

Amid the recent flare-up in US-Canada trade tensions, the aussie climbed to 0.9979 against the Canadian dollar, its highest level in five and a half years, according to data supplied by LSEG.

If it can surpass the February 2021 peak of 0.9993, the aussie would be on the path to parity, which would be a significant development since large round numbers — particularly the one-to-one mark — can often slow or accelerate a market move. Previous highs, especially monthly, are also closely watched.

Clearing parity could open the way to the March 2018 high near 1.02 and the November 2016 peak around 1.04, though congestion builds as prices near the top of their 30-year range just above 1.10.

However, the loonie's weakening trend could stall if the aussie slips back below the upper Bollinger band at 0.9946 and the May 2026 high of 0.9958. Bollinger bands are a moving-average-based system that helps technical analysts measure volatility and determine whether a market is overbought or oversold.

Such a pullback could send traders looking to support around 0.9897-0.9908, while a break below 0.9750 would be needed to confirm a bullish turn for the Canadian dollar.

German industry is pressing Merz for tougher policy on China

Reuters
Berlin

German industry is increasing pressure on Chancellor Friedrich Merz to take a tougher line with Beijing, with companies calling for stronger action to address what they describe as unfair competition from Chinese rivals. The growing assertiveness from German business representatives marks a shift in a country that long resisted trade barriers for fear of Chinese retaliation. How Berlin positions itself will help shape the European Union's broader trade stance toward China, with talks between the bloc and Beijing scheduled for October.

An OECD report published in June found Chinese manufacturers received three to eight times more state support than OECD rivals relative to revenue, with subsidies accounting for nearly 60% of their global market-share gains.

Germany's trade deficit with its biggest trading partner widened by around €22bn last year, to €89.3bn ($104.05bn), as imports into the European country rose 8.8% and exports fell 9.7%.

"We need to discuss with China what is happening. If it is confirmed that this is attributable to subsidies or unfair competition, then it is an issue," said Volker Treier, head of foreign trade at the German Chamber of Commerce and Industry (DIHK). The concern is particularly pressing for German automakers like Volkswagen which, having been overtaken by local brands such as BYD in China, now face growing competition from Chinese rivals in the European market.

Merz's coalition has sharpened its language on China but its messages remain mixed, combining calls to reduce economic dependencies with an insistence that the country remains an important economic partner.

Following signs of division on the matter within his coalition, Merz said on Wednesday he had asked the cabinet to work on proposals to address trade imbalances between the European Union and China.

"We note that German industry, too, has apparently changed its mind regarding these global imbalances," the chancellor said, pointing to associations such as the VDA representing automakers, which is reconsidering its previous opposition to protective measures.

Christian Bruch, CEO of Siemens Energy, said in June that treating Chinese imports like European products was "not acceptable", adding that regulations needed to be put in place and local content quotas considered.

The DIHK's Treier said there were sufficient instruments in the World Trade Organization and the EU framework to defend European industry.

Germany's trade deficit with its biggest trading partner widened by around €22bn last year, to €89.3bn ($104.05bn), as imports into the European country rose 8.8% and exports fell 9.7%

"We simply need to streamline and shorten our decision-making processes when we decide to act," he said.

The BDI, representing major German manufacturers, is advocating for the faster application of existing trade policy instruments, including safeguards, and methodological adjustments, such as bundling product groups in anti-dumping and anti-subsidy proceedings.

"The situation is intensifying due to the massive price pressure we face from Chinese suppliers," said BDI executive board member Wolfgang Niedermark. "Possible countermeasures by China must be included in strategic considerations, but should not determine or ultimately prevent Europe's actions."

State subsidies and a yuan that Deutsche Bank analysts consider to be around 15% undervalued against the euro allow China to undercut German prices by 30% to 40%, the BDI estimates.

China denies that it unfairly subsidises its industries or uses an undervalued currency to gain an export advantage.

Volkswagen CEO Oliver Blume told investors in a recent earnings call that Europe needed to create a "level playing field", addressing a lack of tariffs on plug-in hybrids from China and calling for "Made in Europe" rules designed to increase the share of European-made components in vehicles.

After Chinese media interpreted Blume's words as a call for protectionism, the company rowed back on his comments, illustrating the delicate balancing act for automakers concerned about losing European market share while wary of any trade conflict with China, the world's biggest auto market.

Jacob Gunter of the Mercator Institute for China Studies said German automakers' ties with China had been a "hugely beneficial deal for a very long time" but not any longer.

"They are getting absolutely knocked around by Chinese competition in China, in Europe, and in third markets."

Volkswagen still commands by far the largest market share in Europe but new entrants are gaining ground. China's BYD, Chery and Leapmotor sold between three and six times more vehicles in June than in the same month of 2025, and sales at SAIC and Geely rose more than 50% and more than 11% respectively.

A spokesperson for the VDA, which opposed EU tariffs on all-electric vehicles made in China in 2024, said the association was monitoring developments and analysing whether it was necessary to adjust its position.

"Companies remain concerned about possible Chinese retaliation. But in the meantime, doing nothing has also become a risk," said Matthias Bianchi of the German Association of the Mittelstand, which represents the vast network of small and medium-sized businesses that account for more than half of the jobs in Germany.

France, Italy and Spain are among EU countries pushing the bloc to revamp its trade-defence measures, according to a May 22 position paper seen by Reuters.

Turkiye's second-quarter economic growth seen at 2.9%; full-year at 3.05%

Reuters
Ankara

Turkiye's economy is expected to have grown by 2.9% in the second quarter and is forecast to expand by 3.05% in 2026, a Reuters poll showed on Friday. The emerging market economy expanded 2.5% in the first quarter, just below forecasts, with growth slowing for a third consecutive quarter.
The estimates of 10 economists in the Reuters poll ranged from 1.9% to 3% for the second quarter, with a median of 2.9% expansion in gross domestic product.
Turkiye's economy grew by 3.6% in 2025. The government's medium-term programme, which was last updated in September of last year, projects growth of 3.8% in 2026. A new medium-term programme will be announced on September 7.
Turkish lira overnight interest rates dropped to 37% from 40% on Monday, as the central bank resumed auctions that were suspended in March to control the inflationary impact of the Iran war.
Annual inflation eased to 31.75% in July. The central bank raised its year-end inflation forecast by 2 percentage points to 28% in its third inflation report of the year.
The central bank's monthly survey of business leaders' and economists' expectations forecast end-2026 GDP growth of 3.1% and end-2026 CPI of 29.43%.
The Turkish Statistical Institute is expected to release the official second-quarter GDP data on August 31.


A man feeds seagulls as he travels on a ferry over the Bosphorus in Istanbul. Turkiye's economy is expected to have grown by 2.9% in the second quarter and is forecast to expand by 3.05% in 2026, a Reuters poll showed on Friday.

China tightens rules on selling unfinished homes to lift sector


Cranes are seen at the construction site of an Evergrande housing complex in Beijing (file).
Chinese officials tightened the rules for selling unfinished homes on Friday as they try to lift the country's property market out of a years-long slump that has weighed on consumption, reports AFP. Half-built apartment buildings dot cities across China, relics of a property boom that came to a halt when the government clamped down on excessive borrowing and rampant speculation in 2020. That left several developers grappling with massive debt — wreaking havoc on buyers who poured their savings into new homes that were never finished. Chinese officials instructed local authorities on Friday to "vigorously and orderly promote the sale of ready-to-move-in commercial housing", while they also urged more protections for buyers who purchase homes before construction is complete. The instructions came in a joint statement from China's National Financial Regulatory Administration, as well as Beijing's housing and natural resource ministries. The financial regulator and China's central bank also announced on Friday new lending guidelines that raise the maximum length for personal housing loans to 40 years, from the existing 30-year mortgage limit.

Canadian economy recovers in Q2 as domestic demand revives

Reuters
Ottawa

Canada's economy rebounded sharply in the second quarter after six months of virtually no growth, aided by a strong jump in exports and solid domestic demand, data showed on Friday, though a new round of US tariffs brings new uncertainty.

The economy grew at an annualized rate of 3.3% in the second quarter, the fastest rate since 2023, after a revised 0.3% increase in the first quarter, Statistics Canada said.

The upward revision to first-quarter growth means Canada was not in a technical recession, usually defined as two straight quarters of contraction.

Healthy domestic demand, led by consumer spending and business investments, signals the economy is slowly brushing off the impacts of more than 18 months of US import tariffs that upended North American supply chains and increased costs.

A strong domestic consumption and expenditure pattern puts Canada on a firm footing to withstand a new 50% US import tariff that President Donald Trump imposed this week on $20bn of Canadian exports. Canada retaliated with its own counter-measures on Canadian imports from the US.

"It seems like households and businesses were beginning to find ways of navigating the trade-related uncertainty before the latest round of tariffs." said Royce Mendes, managing director and head of macro strategy at Desjardins wrote in a note. "While it helps that the economy was on stronger footing heading into August, the fresh wave of protectionism injects a significant amount of uncertainty into the outlook," Mendes said.


A truck crosses over the Peace Bridge into the US from Fort Erie, Ontario. Canada's economy grew at an annualised rate of 3.3% in the second quarter, the fastest rate since 2023, after a revised 0.3% increase in the first quarter, Statistics Canada said.

The Canadian dollar slightly weakened after the GDP data with loonie trading down 0.01% to C$1.3856 against the US dollar, or 72.17 US cents. Money markets were pricing in no change in interest rates next week.. Yields on 2-year government bonds firmed after the data and were up 1.3 basis points to 2.601%.

On a quarterly basis, GDP grew at 0.8% for the period ended June, from an upwardly revised 0.1% in the previous quarter.

Second-quarter annualized growth was higher than the Bank of Canada's July forecast of 2.5% growth.

Higher exports were one of the main contributing factors for the second-quarter growth with outbound shipments growing 3.6%, the biggest increase in over three years, StatsCan said.

Final domestic demand, the sum total of all consumption and capital spending and a crucial metric to assess domestic health, rebounded to 1% in the second quarter, from a minor contraction in the first quarter. Domestic demand had been muted for several quarters as consumers and businesses remain cautious while Canada navigates its trade war with the US

But household final consumption expenditure, the main indicator of consumer spending, rose 0.8%, its highest level in three quarters, highlighting stronger household spending. This was mainly driven by higher salaries and government benefits, economists said.

Business investment, or business gross fixed capital formation, sprang to a solid 2.3% growth in the second quarter from a contraction of 1.3%, the first time in the last year and a half that business investment has expanded.

US employment growth only modestly lower than thought in BLS revision

Reuters
Washington

US employment grew slightly less than previously estimated in the 12 months through March, the government said on Friday, suggesting the modest pace of job creation that has prevailed since President Donald Trump returned to the White House was even weaker through at least the first months of 2026.

The preliminary annual benchmark revision estimate to the closely watched payrolls data from the Labor Department's Bureau of Labor Statistics (BLS) was released weeks after it reported a surprise drop in employment in July, but was nothing like the massive revisions that have become the norm since the Covid-19 pandemic.

BLS will issue a final benchmark revision for the period in February 2027 with the publication of the employment report for January.

On a nonseasonally adjusted basis, the level of total US employment as of March is now estimated to be 79,000 jobs lower than previously estimated, a reduction of about 0.1%, BLS said. By contrast, about a year ago BLS had initially estimated a downward revision to employment of 911,000 jobs, or 0.6%, in the 12 months through March 2025, a figure that was later revised to a reduction of 862,000, or 0.5%.

On a seasonally adjusted basis — only provided with the final benchmark adjustment — employment over those 12 months was revised down by 898,000, or 0.6%. The benchmark revisions have been abnormally large since the pandemic due to measurement model challenges and low survey response rates.

Friday's revision estimate implied that nonseasonally adjusted nonfarm payroll gains averaged about 11,000 per month through March over the preceding 12 months instead of 18,000. On a seasonally adjusted basis, job gains by current estimates averaged about 23,000 over that span.

The revision to estimated US private employment was somewhat larger at negative 178,000, or 0.1%. That data implies a larger reduction to the pace of private-sector job growth to an average of 24,000 a month from 38,000 based on previously published data.

By industry, the largest revisions were a reduction of 154,600 jobs in estimated retail employment and an increase of 135,100 jobs in estimated transportation and warehousing employment. Nine sectors saw downward revisions and six saw upward revisions, including an estimated increase of 99,000 jobs in government employment during a period when the Trump administration was actively cutting the federal workforce.

Rate-hike expectations rise on Warsh speech at Jackson Hole

Reuters
New York

The Federal Reserve will "have work to do" if policy-makers are not confident that underlying inflation is returning to its 2% target, Chair Kevin Warsh said on Friday in remarks that marked the closest he has come to acknowledging interest rate hikes may be needed to ease price pressures.
Short-term Treasuries sold off in anticipation of rate increases as soon as next month, with the 2-year Treasury yield rising 6.6 basis points to 4.29%, its highest in a month. The 10-year Treasury yield was flat at 4.672% and the 30-year Treasury yield was down 3 basis points at 5.16%.
US stocks were higher late in the morning on Friday, with the Nasdaq up 0.6% and the S&P 500 up 0.5%, while the US dollar index rose 0.4% to 99.55, again reflecting expectations that rates will rise. The rates market was showing an even chance of a rate increase next month, up from 35% before the speech, according to CME data.

CYRUS AMINI, CHIEF INVESTMENT OFFICER, HYPHEN WEALTH MANAGEMENT, MOUNT PLEASANT, SOUTH CAROLINA: "During the speech we saw the short end of the yield curve rise while the long end moved down. This came alongside Warsh's focus on the inflation data staying elevated, which he spoke to at length. This should quell some of the bond market anxiety as he gave a clear picture of the Fed's stance on inflation and the need to push it down to target at sufficient speed — his own words.
"I found his communication to be very clear in what his Fed would and would not do. He clearly is sticking to his guns with respect to forward guidance and the risks that presents to markets. He wants the markets to assess the data and come to their own conclusions, just like the Fed is doing behind closed doors.
"The one thing lacking from this speech was a credible plan to actually fight inflation. Perhaps that means he will push harder on running down the Fed's balance sheet, but there are a lot of question marks here. He did specifically call out one of his primary methods of evaluating inflation, the disaggregation of all the specific goods/services in the PCE basket to see the inflation rates of the underlying areas.
I wouldn't be surprised to see more research on this area going forward. "Investors will likely see the Fed moving in a more hawkish direction. Warsh directly spoke to both sides of the Fed's dual mandate, noting that labor markets were robust while inflation measures have stayed consistently well above target. The base case for their forward decisions appears to be moving slightly more toward hawkish, especially given the continued strength coming from corporate capex and equity earnings."

EUGENE EPSTEIN, HEAD OF TRADING AND STRUCTURED PRODUCTS AT MONEYCORP IN STAMFORD, CONNECTICUT: "At least for the time being, we're getting more of the same Warsh-speak that we saw prior to any of the Fed decisions that he had been a part of. Meaning he's saying a lot, but none of this seems really substantive. The initial reaction seems hawkish, but it looks like we're just repeating or seem to be getting in the same route as we did leading up to the last Fed decision where the market was all hawked up heading into it. And in the end, there was nothing to be hawkish about and the dollar sold off.
"So we'll see where this goes into the next meeting next month. But I feel like I'm watching him give the same speech for the fourth time now, maybe even fifth. Because frankly, he's talking about, yes, they're going to be focused on inflation. He's not giving forward guidance, but inflation is not going in the direction that they want it to go. But he's saying all the same hawkish talking points that he said leading up to the last decision. And then the last decision he's basically like, well, the market's doing all the work for us, so we're good.
"So, it's kind of like a fool me once, shame on you; fool me twice, can't get fooled again, if you know that. Yeah, that's where it seems like we're going."

OLIVER PURSCHE, SENIOR VICE PRESIDENT, WEALTHSPIRE ADVISORS, WESTPORT, CONNECTICUT: "The initial conclusion is that Chairman Warsh is giving the market what it wants to a certain extent. He's acknowledging that inflation is an ongoing issue but sticking to his guns of not being overly forward about predicting what the Fed may or may not do in the future. That's as good as you could have hoped coming out of him. The market is reflecting that."

MOLLY BROOKS, US RATES STRATEGIST, TD SECURITIES, NEW YORK: "Markets took it a bit hawkishly. We saw the market price in more hikes. The long end reacted in a way that the Fed might be a little bit more serious about hiking, so therefore inflation credibility may be less at risk.
"The one hawkish thing to note is that he did mention that the labor market is stable and output is strong, and then obviously they're concerned around inflation, so I think that's what led markets to view this as somewhat hawkish.
"It puts the emphasis on the data that's coming up now, so if we get a stable or stronger labor market signal next week and then we get a stronger inflation print the following, then that's going to give a signal that maybe Warsh is ready to go as well."

PETER CARDILLO, CHIEF MARKET ECONOMIST, SPARTAN CAPITAL SECURITIES, NEW YORK: "I don't think (the Fed) is going to do anything in September. (Warsh) also alluded to the fact that the summer inflation numbers were better, but not convincing. So, I think he wants to wait for one more round of inflation numbers in September, October before pulling the trigger. But the market seems think the that the Fed will likely raise rates by year end.
"He alluded to his previous statements that during his terms, they will explore new models. That might be his way of saying we might need to change the metric in which we measure inflation, which he has said that when he first took on the job. So, I that's where we're going.
"He talked about AI can be a new tool for the economy. He's not scaring the markets, but of course the fact that the Fed may need to do more work on inflation is what the bond market wanted to hear.
"He's trying to cover a lot of aspects, but is the market going to be totally satisfied? I don't think so. He's basically a doing balancing act, you know. He has to satisfy the markets, and he has to satisfy President Trump as well."

SAM STOVALL, CHIEF INVESTMENT STRATEGIST, CFRA RESEARCH, NEW YORK: "I think really what he is doing is confirming that they are going to continue to make decisions without any kind of pre-announced intentions. He's really sort of reiterating what he has said already."

JAMIE COX, MANAGING PARTNER, HARRIS FINANCIAL GROUP, RICHMOND, VIRGINIA: "Warsh said a lot without saying anything. He wants to walk the middle ground and be noncommittal, trying very hard to re-Greenspan the Fed."