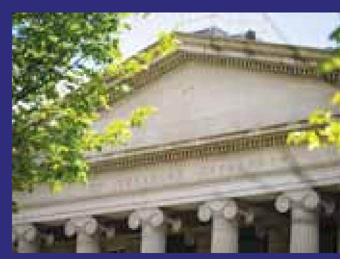
RESTRUCTURING PLAN | Page 4

Volkswagen's surprise turnaround deal averts showdown; job cuts loom

Saturday, September 5, 2026
Rabia I 23, 1448 AH
GULF TIMES
BUSINESS



STRATEGY SHIFT : Page 3

Chinese banks seen purchasing Treasuries after boosting deposit rates for the dollar

Startup chief dispels Gulf capital myths for Indian tech founders

By Peter Alagos
Business Editor

Indian technology entrepreneurs evaluating expansion into the Gulf Cooperation Council (GCC) must look past misconceptions of quick capital and focus on delivering commercially viable products, according to a software founder.

"I think the biggest misconception is, 'Qatar is a rich country, so if I come with an idea, someone will give me money.' That's simply not true," Abdul Sakhib Mohammed, founder and managing director of CloudZigo, told *Gulf Times*.

He emphasised that Qatar's market is increasingly discerning, rewarding ventures that deliver immediate operational value over unproven concepts.

"Qatar is actually quite serious about what it supports. You need to build something that solves a real problem and has real value. If you do that, the opportunities can be very good," Mohammed pointed out.

Mohammed continued, "My advice is simple: don't come looking for free money, come with something worth paying for."

Raised in Riyadh, Mohammed returned to India after his father suffered a sudden paralysis attack, ending a 25-year career in Saudi Arabia and forcing the family to re-establish themselves in Hyderabad.

"Like many of us who grew up in the Gulf, I was living in the comfort zone created by my family. But one day, everything changed…We suddenly had to leave Saudi Arabia and return to India," he said.

The unexpected shift prompted him to build an enterprise of his own rather than rely on traditional employment in a shifting economic environment.

"That experience was a real eye-opener for me. It made me realise that no matter how stable life may seem, circumstances can change overnight. That's when I decided I wanted to build something of my own," he explained.

Abdul Sakhib Mohammed, founder and managing director of CloudZigo.

Mohammed founded CloudZigo in India to engineer affordable cloud and server infrastructure for developers, choosing to bootstrap the operations to profitability before seeking institutional or incubator backing.

"When you're starting out, you don't really have the luxury of thinking about institutional funding," said Mohammed, and added: "You're thinking about how to pay the next bill."

"Build first, prove it works, then ask for fuel to grow," Mohammed said, noting that after establishing client traction across India, the UK, and the US, CloudZigo expanded into Qatar following an invitation to Web Summit Qatar 2026.

He said the firm subsequently joined Qatar Science & Technology Park (QSTP) to scale its operations across the broader GCC region.

"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. It also opened doors to conversations and potential collaborations with established organisations that would have taken much longer to reach on our own," he said.

Mohammed believes Qatar's targeted support system offers a unique middle ground between India's resource-constrained ecosystem and Saudi Arabia's sheer market scale.

"Qatar has impressed me with how much it is trying to make the founder's journey easier, through organisations like QSTP, Qatar Development Bank, Startup Qatar, and Invest Qatar, along with different ownership, tax, and setup benefits…As a founder, less headache is always a good incentive," he noted.

Encouraging entrepreneurs in Hyderabad and across India to look beyond traditional job-seeking paths, Mohammed urged founders to tackle operational problems directly in emerging markets.

"I want founders in India and across Asia to know that you don't always have to follow the usual path of finding a job or waiting for the 'perfect' opportunity…Don't just look for where the jobs are. Look for where the problems are and build something that solves them," he said.

"Your passport doesn't decide how far your company can go," Mohammed said, adding that visiting Qatar in person provides a far clearer picture than relying on distant market perceptions.

Qatar's export unit value index jumps 17.64% in Q2 despite regional challenges

QNA
Doha

The National Planning Council (NPC) has issued the Export Unit Value Index (EXUVI) for the second quarter of 2026.

The index recorded an increase of 17.64% compared to the corresponding quarter of 2025 (Q2 2025), and a rise of 6.45% compared to the first quarter of 2026 (Q1 2026).

The increase reflects higher unit values of exported goods and demonstrates the resilience of the Qatari economy amid international developments, despite regional economic and geopolitical challenges, as well as the associated volatility in global markets and supply chains, said NPC in a press release today.

Regarding the index composition, each main group is assigned a relative weight based on its value in the base year (2018). The "Mineral Fuels, Lubricants and Related Materials" group had the largest relative weight at 88.77%, followed by "Chemicals and Related Products" at 8.04%, while "Manufactured Goods Classified Chiefly by Material" ranked third at 2.63%. Together, these three groups account for approximately 99.5% of the total EXUVI weight.

The increase in the EXUVI was driven by gains recorded across eight main groups, led by Chemicals and Related Products at 34.73%, followed by Mineral Fuels, Lubricants and Related Materials at 4.25%, Manufactured Goods Classified Chiefly by Material at 3.31%, Crude Materials, Inedible, Except Fuels at 3.14%, Miscellaneous Manufactured Articles at 1.92%, Beverages and Tobacco at 1.00%, Machinery and Transport Equipment at 0.50%, and Food and Live Animals at 0.46%.

A decrease of 1.00% was recorded in only one group Commodities and Transactions Not Classified Elsewhere in SITC. The Animal and Vegetable Oils, Fats and Waxes group remained unchanged during Q2 2026.

The EXUVI rose by 17.64% compared to the corresponding quarter of 2025, driven by increases in six main groups: Chemicals and Related Products (+35.94%), Mineral Fuels, Lubricants and Related Materials (+16.14%), Manufactured Goods Classified Chiefly by Material (+14.46%), Crude Materials, Inedible, Except Fuels (+7.38%), Food and Live Animals (+5.26%), and Commodities and Transactions Not Classified Elsewhere in SITC (+0.56%).

On the other hand, three groups recorded decreases: Beverages and Tobacco (-3.52%), Machinery and Transport Equipment (-1.45%), and Miscellaneous Manufactured Articles (-0.47%). Meanwhile, the "Animal and Vegetable Oils, Fats and Waxes" group remained unchanged.

The EXUVI is a key statistical indicator that tracks changes in the unit values of exported goods and provides important insights into foreign trade dynamics and related economic activity.

Workshop focuses on pre-implementation of economic concentration transactions

QNA
Doha

The Ministry of Commerce and Industry (MoCI), in cooperation with the General Authority for Competition in the Kingdom of Saudi Arabia, has organised a workshop on the prior implementation of economic concentration transactions.

The workshop, which was held virtually, comes within the framework of implementing the memorandum of understanding signed between the two sides, enhancing cooperation and promoting the exchange of expertise and knowledge in the field of competition law.

A statement issued by MoCI on Thursday said that the workshop, organised by the Competition Protection Department at MoCI, addressed several topics aimed at enhancing the understanding of the risks of pre-implementation of economic concentration transactions, and clarifying the dividing lines between legitimate preparatory procedures and prohibited pre-implementation, thereby contributing to enhancing compliance with competition rules during the pre-approval phase.


The workshop, which was held virtually, comes within the framework of implementing the memorandum of understanding, enhancing cooperation and promoting the exchange of expertise and knowledge in the field of competition law.

The workshop included a presentation on the legal framework regulating economic concentration transactions in the State of Qatar, in addition to a discussion of several relevant international and Gulf issues and experiences.

Thise workshop comes as part of MoCI's efforts to enhance cooperation and exchange technical expertise with specialised bodies, which contributes to spreading knowledge and raising the efficiency of work in the field of competition law.

US job market registers strong growth in August; Fed meeting in focus

AFP
Washington

The US job market registered strong growth in August, government data showed on Friday, outperforming expectations and offering President Donald Trump's Republican Party a boost ahead of upcoming midterm elections.

Employment in the US grew by 162,000 jobs in August, and the unemployment rate remained steady at 4.1%, the US Bureau of Labor Statistics (BLS) said in a statement.

Employment expanded in the restaurant sectors, and jobs in public schools bounced back from a contraction a month earlier.

The strong report also revised up job numbers for June and July by a combined 55,000, indicating the US labour market remains in a state of steady growth.

The new data will be a boon for Trump, whose Republican Party is facing a stern test from Democrats in midterm elections in November, with the state of the world's largest economy a key issue for voters.

Stock markets were down on the news, however, with all eyes on the Federal Reserve's next interest rate-setting meeting later this month.

Strong job growth indicates a healthy labour market, which would allow the central bank to focus on its other mandate: keeping long-term inflation to its two-percent target.

The Fed has missed that target for more than five years, with consumer inflation running at 3.3% in July. August data is due next week.

Prices rises have been fuelled by Trump's war on Iran — which has sent energy prices skyrocketing — and his signature tariff policies. Inflation hit a three-year high in May, but has dropped since then.

Several Fed policymakers have indicated that they would be open to raising interest rates if August's data does not show a continuing downward trend. Three of the committee's 12 voting members dissented at its last meeting in July, calling for an immediate hike.

A "now hiring" sign is displayed in Somerville, Massachusetts.
Employment in the US grew by 162,000 jobs in August, and the unemployment rate remained steady at 4.1%, the US Bureau of Labor Statistics said.

Responding to the August jobs data, Trump made a surprising link between the Fed's setting of interest rates and Washington's trade ties with other countries.

"Lower the interest rates because the USA. is a much stronger credit than it was just a short time ago!" Trump posted on his Truth Social platform. "LOWER THE RATE OR I'LL STOP TRADING WITH COUNTRIES WITH WHICH WE HAVE A DEFICIT."

Diane Swonk, chief economist at KPMG, told AFP that the August data was "reassuring" but cautioned that "one month does not a trend make."

"This report does suggest that the labour market is heating back up," she said. "The labour market is now stronger, and this is worrisome for the Federal Reserve because now you have demand along with supply shocks."

Still, strong job growth was "welcome news for workers out there. Welcome news for people trying to make ends meet."

Restaurants added 59,000 jobs in August, well above the average gain of 12,000 over the last year, the BLS said.

Employment in the local government education sector — which is mostly made up of public schools — increased by 42,000, largely offsetting a decrease from the previous month due to summer holidays. Overall employment in the sector has shown little net change since January.

The healthcare sector, one of the major drivers of job growth in the US as the population ages, added 13,000 jobs, a slower expansion than its average over the last year.

Construction and manufacturing also made gains in the month, the data showed.

Kathy Bostjancic, chief economist at Nationwide, said the overall "across-the-board robust gains" were encouraging.

"Today's report supports our forecast that real GDP growth accelerates to at least three % in Q3, reflecting a strong labour market, resilient consumer spending, and continued ebullient AI investment," she said in a note.

The information technology sector, however, lost 23,000 jobs, with cuts in computing infrastructure, data processing and web hosting. Job losses in the sector have averaged around 8,000 per month for the last year, according to BLS data.

Analysts say the sector is more susceptible to labour displacement due to its higher rates of adoption of artificial intelligence technology compared to other industries.

Average hourly earnings increased by 3.1% year-on-year, still lagging behind inflation — indicating that many workers are seeing their salaries contract in real terms. Page 4

BUSINESS

Chevron, Eni commit to expand oil projects in Venezuela under US eye

Reuters
Caracas

US' Chevron, Italy's Eni and other foreign energy producers has committed to major project expansions to boost oil output in Venezuela, in a signing ceremony in Caracas overseen by interim President Delcy Rodriguez and US Energy Secretary Chris Wright.

The deals are separate from a controversial Caracas-Washington deal recently unveiled that gives the US access to 17 oilfields. Most of the pacts announced on Wednesday relate to project expansions that have been in negotiation with Venezuela's oil ministry and state oil company PDVSA as part of the migration of dozens of energy contracts to new terms under a sweeping oil reform approved in January.

Still, the signings represents the latest effort by private companies with a longstanding presence in Venezuela to help the country revive its struggling oil industry, which currently produces about 1.25mn barrels per day, far short of its 3mn bpd peak reached in the late 1990s.

Most oil majors have eschewed major investment in the country for years, retreating after a 2007 nationalization. The industry has also faltered due to lack of investment, mismanagement and sanctions imposed by the US, which is now spearheading a $100bn investment plan that officials claim will double Venezuela's output in coming years.

"We are trying to work at what I call Trump-speed. President (Donald) Trump didn't want a nudge or a slow drift in a positive direction. He wanted to see as fast as possible transformation in Venezuela," Wright said.

Chevron CEO Mike Wirth and Eni CEO Claudio Descalzi also traveled to Venezuela for the signing. It was Wirth's first visit to the South American country, where Chevron has maintained a consistent presence in Venezuela even after other oil majors left following the seizure of assets under former President Hugo Chavez.

Chevron plans to invest more than $7bn to double its output in the country to about 600,000 bpd over the next five years, part of its strategy of expanding joint ventures with PDVSA.

In addition, GE Vernova signed a power sector alliance, which Rodriguez singled out due to the country's struggles with a large electricity deficit that has left households without electricity for hours and hobbled key industries.

Venezuelan businessman Alejandro Betancourt was not seen at the ceremony, days after his company NABEP signed the separate deal with Washington to gain access to a fifth of Venezuela's oil reserves.

Eni, which shares an offshore gas project with Repsol and a shallow water oil project with PDVSA, will expand to the large Junin 5 heavy oil area in the Orinoco Belt, where it plans to invest $1.5bn, industry sources said.

As part of its deal, Eni's current joint venture with PDVSA will transition into a 25-year production sharing contract, the company said in a release.

"What we need is not just signing papers, we need barrels," Descalzi said during the event.

Junin 5 currently produces approximately 12,000 bpd, Eni said in the release. Oil production target from all its oil projects is 400,000 bpd by the end of this decade.

Other pacts include an oilfield development agreement with energy firm Primavera and an exploration agreement with Denver-based oil services company Aspect Holdings.

A crude oil tank is seen inside the Dangote Industries oil refinery and fertiliser plant site in the Ibeju Lekki district of Lagos, Nigeria. The listing will test investor appetite for one of Africa's most ambitious industrial projects.

Nigeria's Dangote is said to seek $1.5bn with refinery IPO

Reuters
Abuja

Nigeria's Dangote Group plans to price the initial public offering of its refinery unit at 525 naira ($0.40) per share, potentially raising about $1.5bn in Africa's biggest-ever share sale, two sources with direct knowledge of the deal told Reuters on Friday.

The listing will test investor appetite for one of the continent's most ambitious industrial projects. The 650,000-barrel-per-day refinery, built at a cost of about $20bn on the outskirts of Lagos, has transformed Nigeria's fuel market and emerged as a major beneficiary of supply disruptions linked to the Iran war, exporting jet fuel across Africa and into Europe.

The company plans to sell 4.1bn shares, the sources said, speaking on condition of anonymity because the terms remain private. They did not say what stake in the refinery the sale would represent.

The order book for the offer is set to open on September 14, a third source said, in line with a time frame indicated by Aliko Dangote, the group's majority shareholder, on Thursday.

Dangote Group declined to comment further.

The refinery's majority shareholder is raising cash to fund a planned doubling of capacity to 1.4mn barrels per day, having already secured a $400mn underwriting commitment for the IPO.

A formal signing ceremony with the stock exchange to launch the deal will be held next week, two company sources told Reuters.

The refinery's rapid growth has helped fuel investor interest in the share sale, market participants say.

The IPO will include a so-called greenshoe option to sell around 15% more shares if demand exceeds supply, one of the sources said.

A private placement in July indicated a refinery valuation of $40bn, but some investors and analysts say this appears high relative to other listed standalone oil refiners.

Turkey's Tupras, which has a similar refining capacity spread across four sites, has a market value of about $12bn, while New York-listed HF Sinclair, with capacity of roughly 678,000 bpd, is valued at about $16bn. Aliko Dangote told a business meeting in Botswana on Thursday that he aimed to build the refinery, which does not publicly disclose detailed financial results, into one of Africa's largest companies, generating more than $12bn in earnings before interest, tax, depreciation and amortisation (EBITDA).

Dangote, Africa's richest man with a net worth estimated at between $31bn and $35bn, said he wanted investors from across the continent to participate in the offering, including Nigerian retail investors.

"This is not a Nigerian listing. It's an African listing, and we are going to pay everybody, including the Nigerian listing, in dollar terms," he said in the Botswana speech.

Nigeria could double energy investment within five years, says IEA chief

Reuters
Abuja

Fatih Birol, International Energy Agency Executive Director.

Nigeria could double investment into its energy sector within five years after joining the International Energy Agency, its chief Fatih Birol has said, as nations seek partners they can "trust" after supply disruptions from the wars in Iran and Ukraine.

Speaking during a visit to Abuja, Birol told Reuters that Nigeria's admission as an associate member of the Paris-based energy watchdog would help attract investment, deepen technical cooperation and give Africa's largest oil producer a stronger voice in global energy policy discussions.

"My goal is, in a very short period of time, in five years, at least doubling the energy investments Nigeria is receiving today," Birol said.

Nigeria, Africa's top oil producer, needs substantial capital to unlock opportunities across oil, gas and renewable energy, particularly solar power, he said.

Birol said Nigeria's resource base, together with shifting global energy trade patterns, could help attract capital from governments and private investors seeking reliable energy partners.

"The most scarce commodity is not oil, not gas, not uranium, not lithium. It is trust," he said. "Countries are looking for partners they can rely on."

He described Nigeria as a credible energy supplier and said exports from the Dangote refinery, which processes about 700,000 barrels of crude a day, had helped ease fuel-supply pressures in Europe in recent months.

Nigeria aims to nearly double oil production to 3mn barrels per day by 2030 and is counting on energy sector reform, infrastructure upgrades and improved security to prevent oil theft to help attract foreign capital after years of underinvestment.

Nigeria became an associate member of the IEA in July after the agency's member countries, including the US, Germany, Italy and Japan, unanimously approved its application, Birol said.

The IEA and Nigeria are expected to sign a joint work programme in Abuja outlining cooperation in areas including natural gas, electrification, clean cooking, energy efficiency and energy data development.

Nigeria will work with the IEA to improve areas such as energy data collection and reporting systems, an area investors and market participants have long cited as lacking, particularly for oil production, export and consumption statistics.

Birol said geopolitical tensions and disruptions to major energy supply routes were reshaping global trade flows and creating risks for consumers.

Countries have been reassessing energy partnerships and supply chains following market disruptions caused by Russia's full-scale invasion of Ukraine and instability along key shipping routes, he said.

"If the Strait of Hormuz is not going to open convincingly sometime soon, we may have some difficulties both in terms of crude oil, but especially on products such as diesel and jet fuel," Birol said.

He said the coming weeks and months would be critical for maintaining a healthy balance between global oil supply and demand.

Indonesia's commodities price-setting ambition risks backfiring

Reuters
Jakarta

Indonesia's bid to exert control over global prices for its vast natural resources by setting up a new commodities exchange will struggle to compete with established bourses and risks backfiring if participation is mandatory.

The exchange, scheduled for launch next year, is President Prabowo Subianto's latest initiative to expand state influence over natural resources in a country that is the biggest global supplier of palm oil, nickel and thermal coal and a major source of copper and bauxite.

In a fiery speech to parliament last month, Prabowo said that Indonesia would rather keep its commodities than sell them too cheaply.

Trading through the exchange will be mandatory, said Sarjito, who was appointed chief supervisor of commodity trading and like many Indonesians uses one name.

Prabowo's move comes as his approval rating has fallen 30 percentage points to 51% in eight months, and critics say the exchange plan is as much about political messaging as economic strategy.

Yanuar Nugroho, a former top aide to Prabowo's predecessor Joko Widodo, called it a nationalist narrative "good for campaign material", rather than sound policy.

Several industry veterans and analysts said price-setting was built on trust, and any move to force it risked deterring investors at a time when a depreciating rupiah, a poorly performing stock market and widespread concerns over economic management were already testing their patience.

"Indonesia is a significant player in a number of commodities — enough to create serious market distortions — but trying to 'set global commodity prices' probably backfires," said Ian Hiscock, a Singapore-based principal at the Energy Shift Institute, an energy finance think tank.

The move risked pushing rule-abiding investors out and leaving "more nefarious actors to square regulations with economic reality," reducing transparency rather than boosting it, he said.

In the case of nickel, that could include accelerating substitution away from nickel-based battery chemistries and providing incentives to buyers to underwrite projects from more reliable suppliers, he said.

One industry insider, asking not to be named given the sensitivity of the matter, said even if the exchange was mandated for all transactions of relevant commodities, buyers would try to find alternative suppliers, or even alternative products, if the set price was much higher than on other exchanges.

Simeng Deng, senior analyst at Rystad Energy, said buyers could simply walk away, noting that Indonesian coal exports — the world's largest by volume — were already under pressure as top buyers China and India diversified purchases towards Mongolia, Russia and South Africa.

The exchange risked becoming a domestic administrative layer rather than a genuine price-discovery mechanism, she said, which could push wary buyers to shift from Indonesia even faster, while raising compliance costs and giving investors reason to sit on capital until the rules settle.

Prabowo's spokesperson and officials at the Financial Services Authority could not immediately respond to requests for comment.

Sarjito declined to comment further.

Palm oil underlines the challenge of taking on an incumbent exchange.

Indonesia, by far the top producer and exporter of the edible oil, launched a palm oil bourse in 2023, but transactions remain light.

A worker shows palm oil fresh fruit bunches during harvest at a plantation in Kampar regency, Riau province. Indonesia, by far the top producer and exporter of the edible oil, launched a palm oil bourse in 2023, but transactions remain light.

Past efforts by regional and global exchanges to develop alternative palm oil futures have done little to dent the dominance of Malaysia, which launched its Crude Palm Oil (CPO) Futures contract in 1980, as the global price setter.

Bursa Malaysia Derivatives recorded 19.62mn CPO futures contracts, equivalent to 490.43mn metric tons of CPO, traded in 2025, while Indonesia trade ministry data showed CPO futures trading over the same year at 30,341 lots, equivalent to just 151,705 tons.

"It is going to be very difficult to compete with Bursa," said Julian McGill, managing director of oil crop advisory firm Glenauk Economics, adding that being the largest producer conferred "surprisingly limited" advantage.

Palm oil industry planter MR Chandran, chairman of agritech firm IRGA, expects a split market rather than a new benchmark: Jakarta's new bourse would probably serve as "an internal reference for export duties and domestic clearances," with Bursa Malaysia's Crude Palm Oil Futures contract remaining the benchmark for global price discovery and risk management.

Malaysian Palm Oil Association CEO Roslin Azmy Hassan said Kuala Lumpur "shouldn't be complacent" but sees no "immediate threat".

The Treasury Department is pictured in Washington. For many Chinese banks, US Treasuries represent an attractive investment at a time when yields on Chinese government bonds are very low and heavy investment in the domestic bond market has attracted attention from Chinese regulators.

Chinese banks are seen buying Treasuries after wooing dollar deposits

Reuters
New York/Hong Kong

Chinese banks have been buying US Treasuries over the past few months after lifting dollar deposit rates, according to people familiar with the matter, moves that could help slow gains in the yuan and which come amid a spike in US yields.

The purchases, which have not been previously reported, represent a shift in strategy for Chinese commercial banks. Reuters was, however, not able to ascertain the amounts of money involved or whether they move the needle in terms of China's overall holdings of US Treasuries.

For many Chinese banks, US Treasuries represent an attractive investment at a time when yields on Chinese government bonds are very low and heavy investment in the domestic bond market has attracted attention from Chinese regulators.

Dollar interest rates offered by China's "Big Five" state-owned lenders on most deposits have been capped at 2.8% since 2023.

But account holders with balances over $50,000 have been able to negotiate rates above 3% since June and even close to 4% at some smaller banks or foreign lenders since August, according to a state banker with direct knowledge of the deals.

Some of the smaller and foreign banks have even sought to woo customers to dollar deposits by advertising on social media.

After paying the deposit rates of 3% to 4%, banks can earn income from Treasuries. The 10-year yield has risen more than 30 basis points since the start of June to 4.76%, on a combination of inflation and US debt worries as well as an improved US growth outlook.

"Essentially, domestic yields are too low, so banks need to attract dollar deposits to purchase US Treasuries," said a separate banking source, saying lenders had been prodded into action by a "famine" of attractive safe assets to invest in.

The source said, however, that banks were reluctant to convert yuan to dollars given recent regulatory scrutiny of offshore investments.

All sources were not authorised to speak publicly on the subject and declined to be identified.

The People's Bank of China (PBoC), the country's central bank, did not immediately respond to Reuters' faxed requests for comment.

According to banking sources, there is much more dollar liquidity in China at the moment.

Foreign exchange deposits in China have been rising on the back of booming exports and record trade surpluses. They stood at $1.18tn at end-July, up 17.9% from a year earlier and for the first seven months of the year, they grew $121.2bn, PBoC data showed.

Hikes to dollar deposit rates in China have also meant that keeping money in US dollars, rather than converting it into yuan, has become more attractive. The rate for yuan deposits at major state banks is just 0.95%.

Smaller banks started lifting dollar deposit rates in June, forcing larger banks to follow suit or lose out on dollar funding, said another person familiar with the market.

The move coincides with signs China is looking to slow down a rise in its currency as the domestic economy struggles.

Higher deposit rates at banks can soak up dollars and prevent the yuan from rising too fast, the sources said. Investing cash abroad also relieves some of the downward pressure on domestic yields.

The yuan is one of the strong currencies performing against the dollar, having gained nearly 9% on the dollar since the beginning of last year. And since the Middle East conflict began at the end of February, China's bond market has been the world's strongest.

In a move interpreted by markets as a sign that the PBoC is concerned about the pressure on yields, the central bank surveyed mutual funds regarding long-dated government bond investment last month, sources have said.

It remains to be seen whether the banks' recent purchases of US Treasuries will significantly boost China's overall holdings.

Analysts raise Canadian dollar forecasts, expecting trade tensions to ultimately fade

Reuters
Toronto

Canada's dollar will edge lower in coming months before notching moderate gains in a year if a resolution is reached in the trade conflict with the US, a Reuters poll showed.

The median forecast of 32 foreign exchange analysts in an August 31 to September 2 poll was for the Canadian dollar to edge 0.4% lower to 1.39 per US dollar, or 71.94 US cents, in three months, compared with a 1.40 forecast in a survey last month.

In 12 months, the Canadian currency is expected to strengthen 1.8% to 1.36, versus 1.3660 in the previous forecast.

"While we are bearish on the loonie in the short term, we expect many of the factors currently weighing against the Canadian dollar to fade," said Nick Rees, head of macro research at Monex Europe. "Trade tensions with the US should eventually be resolved with a deal, regardless of present posturing, allowing domestic macro data to recover."

Last month, the US imposed new 50% tariffs on at least $20bn of imports from Canada after talks between the two countries collapsed.

The Bank of Canada said on Wednesday it does not expect the tariffs to have a large direct impact on the economy as it left its benchmark interest rate on hold at 2.25%, adding that the ongoing Middle East conflict had raised upside risks to the inflation outlook.

"We do expect a modest strengthening to 1.35 by end of next year," said Mirza Baig, a foreign exchange strategist at Desjardins. "We believe this will come about as the gap between US and Canadian interest rates will narrow, and investment spending in Canada will accelerate."

Investors expect about 100 basis points in tightening from the BoC by the end of 2027, which would move the policy rate toward the top of the central bank's estimated 2.25% to 3.25% range for the neutral interest rate — the rate at which borrowing costs are neither slowing nor boosting the economy.

A truck crosses over the Peace Bridge into the US from Fort Erie, Ontario. Last month, the US imposed new 50% tariffs on at least $20bn of imports from Canada after talks between the two countries collapsed.

Euro zone yields rise on strong US jobs data

Reuters
London

Euro zone bond yields rose after US jobs data came in much stronger than expected on Friday, keeping borrowing costs on track for their fourth straight weekly increase as rising energy prices and resilient growth put pressure on central banks to raise interest rates.

Germany's 10-year bond yield, the benchmark for the euro zone, reversed an earlier fall and was last flat for the day at 3.349%.

Data on Friday indicated the US economy had added 162,000 jobs last month, smashing economists' predictions of a 56,000 increase. July's figure was revised up to growth of 21,000 jobs.

US data tends to affect global markets owing to the size and importance of the economy and the influence of the US Federal Reserve.

US Treasury yields jumped after the data, although the spillover into European markets was relatively muted.

Germany's 2-year bond yield, which is sensitive to European Central Bank rate expectations, also reversed an earlier fall to rise 1 bp to 2.961%.

Investors also watched natural gas and oil prices, which were headed for a weekly gain, as renewed US-Iran hostilities heightened Middle East supply risks.

Bond yields around the world hit multi-year highs earlier this week as a rise in energy prices caused traders to raise their rate hike bets, amid concerns about high government debt loads. Yields fell back on Thursday as energy prices cooled.

Traders were last pricing in 48 bps of further ECB monetary tightening this year, down from above 50 bps on Wednesday but up from 44 bps a week ago.

Economists think the ECB will likely raise interest rates on September 10 for the second and final time in what would be its shortest hiking campaign in 15 years, according to a Reuters poll.

Analysts said markets are becoming more sensitive to European gas than to crude alone as the euro zone has been shifting away from Russian and Middle Eastern supply and favoured Norwegian and US alternatives. They also flagged lower-than-average gas storage levels.

Yen's changing fortunes might finally be spooking the bears

Reuters
London/Singapore/Tokyo

Six weeks after hitting a four-decade low against the dollar, the tide appears to be turning for the battered yen as a host of factors finally smoke out traders who have spent years betting against the Japanese currency.

While central bank rate hikes and record currency intervention have failed to provide lasting support for the yen, new tailwinds from capital repatriation, unwinding carry trades and US political pressure are now giving short speculators cause to rethink their long-term game.

The yen is on track for a roughly 2% surge against the greenback this week — the most since a rare joint US and Japan intervention at the end of July to lift the yen.

"The market psychology around the yen appears to be changing," said Rong Ren Goh, a fixed income portfolio manager at Eastspring Investments. "Investors seem increasingly reluctant to aggressively short the JPY (yen), particularly with the prospect of a BoJ rate hike in September adding another layer of risk to the trade."

The Bank of Japan is expected to lift its key rate by 25 basis points (bps) this month and markets are also contemplating the possibility of a 50-bps hike or a series of rapid increases in coming months.

Nevertheless, a 50-bps September hike is still seen as extremely unlikely, particularly under Governor Kazuo Ueda's cautious leadership.

All the same, the shift in mood is backed up by money flows. Data from Citigroup indicate positioning on the yen has flipped from bearish to bullish since the start of August, with interbank flow data showing leveraged funds, banks and real-money investors all net-buying yen this week.

The convergence of central bank policy, investment flows and speculative positioning is adding to volatility. The yen is also up almost 2% against the euro and Australian dollar this week.

Stephen Jen, CEO and co-CIO of Eurizon SLJ Asset Management, said the risk of a rapid unwind of yen-based carry trades is rising, in a similar way to 1998 when the collapse of Long-Term Capital Management forced banks and hedge funds to rapidly deleverage.

The yen has long been the favoured currency for the carry trade, where investors borrow cheaply in yen to invest elsewhere.

The yen is on track for a roughly 2% surge against the greenback this week — the most since a rare joint US and Japan intervention at the end of July to lift the yen

"When a currency is so extremely undervalued, and positioning is so extended, movements like this one will occur increasingly frequently before a big move," Jen said. "It's a bit like earthquakes. The tectonic plates are grating on each other with great forces."

The yen's years-long weakening trend accelerated this year as fiscal concerns mounted around stimulus plans by Japanese Prime Minister Sanae Takaichi and a strong belief that the BOJ was "behind the curve" in tightening monetary policy.

Tokyo unleashed record solo intervention in April-May when the yen weakened beyond the 160 per dollar line.

But a key moment came in July-August when Tokyo was joined by Washington in a rare bout of coordinated action after the currency weakened to 163.99, a level not seen since 1986.

US Treasury Secretary Scott Bessent has long believed rate hikes were the right medicine for the weak yen, and he pressed the BoJ at a Group of 20 finance chiefs meeting this week.

That was followed by a speech by BoJ board member Hajime Takata, the sole dissenter to a July decision to keep rates steady, who raised the spectre of 50-bps moves or hikes in quicker succession.

"His (Takata's) remarks about consecutive rate hikes and sharper margins were dramatic," said Yoshio Iguchi, chief strategy officer at Traders Securities. "If this becomes consensus, it could be a game changer for the yen."

Odds are now 97% that the BoJ will raise its key rate by 25 bps to 1.25%, according to Tokyo Tanshi data, up from 52% a month ago. The figures show a 27% chance of a rate increase in October and 56% odds in December.

Meanwhile, there are signs a sudden lurch higher in Japanese government bond yields to historic levels is compelling domestic institutional investors to repatriate money.

Global markets shuddered in July when Japan floated the possibility of a pivot by its $1.8tn Government Pension Investment Fund back into domestic assets. Official data show Japanese investors are shedding foreign bonds at the fastest pace in four years.

"The immediate story behind the yen's gain is the suggestion that the BoJ could raise more than expected, and that seemed to catch everybody's attention," said Bart Wakabayashi, branch manager at State Street in Tokyo. "But if you take it a step back further, the biggest single factor is the possibility that Japanese investors are more inclined to invest domestically, including liquidating overseas assets."

Real money short underweight positions on the yen are at the highest in five years according to State Street's proprietary data, Wakabayashi said, setting the scene for a potential "reversion" to neutral or overweight levels.

Citigroup delays Fed rate cut forecast to 2027 after strong jobs report

The Federal Reserve building is set against a blue sky in Washington (file). Citigroup on Friday pushed back its forecast for the Federal Reserve's next interest-rate cut to June 2027 after a stronger-than-expected US jobs report reinforced views that the labour market remains resilient and reduced the need for near-term monetary easing, reports Reuters. The brokerage now expects 25-basis-point reductions in June, September and December next year, abandoning its previous call for cuts in October and December 2026 and January 2027. The move followed data that showed US employers added 162,000 jobs in August, comfortably ahead of expectations, while the unemployment rate held steady at 4.1%. Citi, a longstanding Fed dove, said the latest labour market data suggested policymakers would view employment conditions as broadly stable and focus instead on the inflation outlook. "The unemployment rate was unchanged and labour force participation rebounded noticeably," Citi economists Andrew Hollenhorst and Veronica Clark wrote in a note. The jobs data also shifted market expectations, with Fed funds futures pricing in a 61% probability of a rate hike at the central bank's September 15-16 policy meeting, compared with 52% before the report. Investors will now look to next week's CPI and PPI data for further clues on the Fed's interest-rate path.

Volkswagen's surprise turnaround deal averts showdown; job cuts loom

Reuters
Frankfurt/Berlin

Volkswagen shares hit an 11-week high after the supervisory board of Europe's largest automaker late on Thursday struck an ambitious turnaround agreement that put the focus on sweeping job cuts and averted a clash between major stakeholders.

The deal on the biggest restructuring in the group's 89-year history includes a further 50,000 job cuts, bringing the total agreed to 100,000, and leaves open the future of four of its German plants.

Volkswagen, like most of its European peers, is under pressure from painful tariffs in the US, falling sales in former cash cow China and aggressive Asian rivals entering the stagnant European market. All these factors have gnawed at the group's operating margin, which stood at 3.8% in the first half, down from 7.9% in 2022, its peak over the past decade.

Shareholders and analysts expressed relief that Volkswagen — with a workforce of more than 650,000, a complex structure and powerful stakeholder groups — is still able to make far-reaching decisions in times of crisis.

Volkswagen shares were up 5.9% at 1046 GMT, the second-biggest gainer on the pan-European STOXX 600 index, having earlier hit their highest since June 18.

Ingo Speich of Volkswagen shareholder Deka Investment called the agreement a breakthrough: "Does this mean Volkswagen is out of the woods? Definitely not. Now comes the hard part: execution."

Technicians work at the production line for electric car models of Volkswagen in Zwickau, Germany. Volkswagen shares hit an 11-week high after the supervisory board of Europe's largest automaker late on Thursday struck an ambitious turnaround agreement that put the focus on sweeping job cuts and averted a clash between major stakeholders.

Moritz Kronenberger at Union Investment, while welcoming the deal, also said the pressure was now on management to deliver: "The ball is now entirely in the executive board's court. There are no more excuses."

Management, outnumbered by unions and Lower Saxony on the supervisory board, had considered calling a shareholder meeting to push through its demands, which would have been an unprecedented stakeholder conflict at the carmaker.

While the deal gave no details on where and by when the cuts would happen, Volkswagen CEO Oliver Blume previously said that half of the savings would have to come from Germany, suggesting around 25,000 job cuts at its local operations.

Details of the job cut programme will have to be hammered out between management and unions, which secured a job guarantee for most of Volkswagen's German operations until 2030 as part of a previous turnaround package in 2024.

"We are pleased this agreement has been achieved," Citi analysts wrote. "Nevertheless, this agreement does not automatically change the EU competitive environment, continued China market-share losses, and raw material cost pressures."

Volkswagen will seek alternatives for its German plants in Emden, Hanover, Zwickau and Neckarsulm following production phase-outs in the next decade, which could cover a range of options, including repurposing them under new ownership, people familiar with the matter have said.

Olaf Lies, state premier of Lower Saxony — which holds 20% of Volkswagen's voting rights — said closing the plants was not a done deal and that management had been asked to look for alternative solutions.

"If we have to cut capacity, the automatic conclusion cannot be that we cut it in Germany," he told reporters, still acknowledging that Europe's auto sector was under enormous pressure.

Canada loses 41,700 jobs as summer hiring fades; unemployment rate holds steady

Reuters
Ottawa

Canada's economy lost 41,700 jobs in August, data showed on Friday, slowing sharply from unusually strong summer hiring, while the unemployment rate held steady at 6.4%.

The August report is the last labor force survey before the effects of US President Donald Trump's new 50% tariffs begin to filter through the economy.

The duties cover a relatively small share of Canada's exports but are concentrated in vulnerable industries including wood products, raising the risk that the recent momentum in the labor market could grind to a crawl.

"The rise in trade tensions between Canada and the US has opened up the possibility of another wave of layoffs in trade-exposed sectors," said Royce Mendes, head of macro strategy at Desjardins, adding that trade relations remain the main downside risk to his forecasts on the economy.

Analysts polled by Reuters had forecast job gains of around 15,000, after 75,100 additions in July. The forecast for the unemployment rate was the same as reported.

The Canadian dollar was trading down 0.51% at C$1.3860 to the US dollar, or 72.15 US cents. Yields on 2-year government bonds firmed after the labor data, trading 1.3 basis points up at 2.469%.

Most of the job losses were observed in full-time employment, where positions shrank by 35,900, while part-time employment also saw reductions of 5,800 jobs, Statistics Canada said.

Recent hiring figures have been flattered by temporary factors such as census-related employment and jobs associated with the soccer World Cup, which resulted in additions of 181,000 jobs between April and July.

The gains of the past few months have also come as the broader economy has proved more resilient than expected through more than 18 months of US trade restrictions, with widespread layoffs so far failing to materialize.

However, a new set of US tariffs and Canada's retaliation coming into effect from early next week are expected to deflate some of the momentum.

The unemployment rate continued to be at a two-year low.

Sluggish growth in the labor force due to tighter immigration rules and an ageing workforce has also deflated the unemployment level in the last few months.

The labor force, which stood at 22.63mn, shrank for the first time since February.

Youth unemployment edged up 0.3 percentage points to 12.9% in August, reversing a declining trend from April to July.

The growth rate of permanent employees' average hourly wages, a gauge of inflation, dropped to 2% in August from 3% last month, its lowest level in more than seven years outside of the pandemic.

"The sharp 41,700 fall in employment in August and further slowdown in wage growth pushes back against the idea that the economy has decisively turned a corner," Thomas Ryan, senior North American economist at Capital Economics, said.

China, not Opec, calls shots on global energy markets, says Sechin

Igor Sechin, chief of Russia's top oil producer Rosneft, has said that China, not Opec, has stabilised global oil markets by reducing crude imports by 5.5mn barrels per day this year, reports Reuters.

Sechin, the most influential Russian energy manager and a long-standing ally of President Vladimir Putin, was speaking at a Russian—Chinese business forum in the far eastern city of Vladivostok.

"This year, China has effectively taken the lead from Opec and has managed to stabilise the global oil market by cutting its oil imports by 5.5mn barrels per day," Sechin said.

Sechin, known for his scepticism towards Opec, said China will get more influence on the energy markets as the number of Opec members is declining.

"I believe that further growth in China's reserves will strengthen China's role in the energy market, against a backdrop of Opec's waning influence and a reduction in the number of its members," Sechin said.

Earlier this year, the United Arab Emirates declared its withdrawal from the group.

US sanctions Turkish bank, two subsidiaries to pressure Iran

Reuters
Washington

The US Treasury Department said on Friday it imposed new Iran-related sanctions on a small Turkish investment bank and two subsidiaries as part of the Trump administration's effort to increase economic pressure on Iran.

The entities targeted are Instanbul-based investment bank Golden Global Yatirim Bankasi Anonim Sirketi, asset manager Golden Global Portfoy Yonetimi Anonim Sirketi, and asset leasing company Golden Global Varlik Kiralama Anonim Sirketi, according to the Treasury's Office of Foreign Assets Control.

The sanctions put all three entities on the Treasury's OFAC Specially Designated Nationals list, cutting them off from the dollar-based financial system.

The Treasury Department also issued a general licence to allow the wind-down of transactions with the sanctioned entities.

In an interview with news outlet America's Voice News, US Treasury Secretary Scott Bessent said that the latest action "is code for you are out of business."

"And we will probably sanction another bank next week, and we are telling the financial system bad actors: 'We know who you are, you know who you are, it's over, and our allies are helping with this," he said.

Golden Global Yatrim Bankasi is the 35th-largest bank in Turkiye by total assets, according to database TheBanks.EU, with total assets of 25,024.68mn Turkish lira ($516.63mn) in 2025.

The bank did not immediately respond to a request for comment.

The Treasury said in a statement that Golden Global was established for the purpose of enabling Iran's shadow banking network to transfer oil revenues from China to Turkiye, where it could then be converted to cash and gold by money exchangers.

The Treasury said that Golden Global has knowingly offered to provide correspondent banking services to Iranian financial institutions, enabling transactions through accounts controlled by the Islamic Revolutionary Guard Corps Quds Force and its proxies.

The action is the latest in the Trump administration's campaign to economically pressure Tehran six months into the US-Israel war with Iran, which has pushed energy prices higher worldwide.

Bessent, who last month announced an "economic onslaught" against Iran's financial links around the world, has said Washington is seeking to force Tehran back to the negotiating table.

Last week, Washington moved to impose Patriot Act curbs on Egyptian lender Banque Misr's branches in the United Arab Emirates from US dollar transactions over their dealings with Iran. But the action fell short of full OFAC sanctions on the institution that did not affect Misr's head office or branches elsewhere.

In an interview with Reuters on Sunday, Bessent said the Treasury Department was likely to roll out new secondary sanctions every week, initially focusing on banks, as part of a broader campaign to intensify economic pressure on Iran.

Sanctions expert Brett Erickson, managing principal of Obsidian Risk Advisors, questioned how effective the action would be and said it could draw retaliation from Tehran.

"The sanctioning of Golden Global will marginally increase pressure on Iran. But hurting Iran and changing the outcome of this war are two very different things," Erickson said.

"If this pressure cannot meaningfully change the economic trajectory of the war, Washington may simply be poking the bear and daring Iran to retaliate in ways that could inflict far greater damage on the global economy," Erickson said.

US Treasury Secretary Scott Bessent.