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BUSINESS

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QIIB launches Ramadan finance offer with Qatar Airways Privilege Club

Financial conditions index essential for assessing predictive potential of Qatar's non-hydrocarbons, says IMF paper

By Santhosh V Perumal
Business Reporter

A financial conditions index (FCI) is imperative for Qatar to assess the current state of financial conditions and evaluate the relationship between financial indicators and future growth distribution, according to the International Monetary Fund (IMF).

"The FCI is an important leading indicator of Qatar's non-hydrocarbon growth, highlighting its predictive potential for future economic performance," said the IMF working paper, which developed an FCI for Qatar and used the growth-at-risk (GaR) framework to examine the impact of financial conditions on Qatar's non-hydrocarbon growth.

As Qatar seeks to enhance the financial sector's contribution to growth through the third financial sector strategy (FSS3), the paper said an FCI will be essential for assessing the current state of financial conditions and evaluating the relationship between financial indicators and future growth distribution.

Highlighting that the analysis showed that the FCI is an important leading indicator of Qatar's non-hydrocarbon growth and closely follows the Qatar Central Bank's (QCB) bank's lending survey; the IMF paper said the FCI exhibits a relatively strong correlation with real non-hydrocarbon GDP (gross domestic product) growth, highlighting its predictive potential for future economic performance. Additionally, the credit conditions component of the FCI aligns with the QCB's bank lending survey, indicating consistency of its FCI with other surveys.

The GaR analysis highlights the importance of domestic and external conditions as indicators of real non-hydrocarbon GDP growth performance, it said, adding domestic conditions seem to offer the strongest signal in the short term, whereas the effects of external conditions are significant in both the short and medium term.

"Overall, the current downside risks to Qatar's baseline non-hydrocarbon growth projections are relatively mild. Alternative scenario tests indicate that future non-hydrocarbon growth could improve following a reduction in the policy deposit rate. Additionally, non-hydrocarbon growth is primarily influenced by oil prices, with minimal effects stemming from global financial market uncertainty," it said.

Finding that financial conditions play a significant role in shaping business cycle fluctuations as they reflect both the feedback of current and past economic conditions and markets' expectations about the economic outlook; it said FCIs are constructed from a broader combination of domestic and external financial conditions. They serve as tools that facilitate a deeper understanding of macro-financial linkages, as well as enable historical assessments by comparing the current state of financial conditions against their past cycles.

Stressing that developing the FCI has become even more important as the country aims to further develop the financial sector through the FSS3. The paper, authored by Dorothy Nampewo, said in Qatar, the financial sector plays an important role in shaping economic activity, and therefore serves as a key pillar in fostering the country's sustainable economic development.

A financial conditions index (FCI) is imperative for Qatar to assess the current state of financial conditions and evaluate the relationship between financial indicators and future growth distribution, according to an International Monetary Fund working paper. **PICTURE:** Shaji Kayamkulam

QCB governor meets senior adviser to HSBC group chairman

HE the Qatar Central Bank Governor Sheikh Bandar bin Mohammed bin Saoud al-Thani met Samir Assaf, senior adviser to HSBC's Group Chairman and Group CEO, along with the accompanying delegation in Doha yesterday. During the meeting, they reviewed the latest global developments in banking and finance, the QCB said.

Vodafone Qatar and Innovation Streams announce strategic collaboration to drive innovation

Vodafone Qatar signed a Memorandum of Understanding (MoU) with Innovation Streams, a consultancy company dedicated to promoting corporate innovation and accelerating business growth, at the Web Summit Qatar 2025.

The MoU was formally signed by Mohamed Mohsin Alyafei, acting business unit director at Vodafone Qatar, and Syed Masud, partnerships manager at Innovation Streams, in the presence of Vodafone Qatar COO Baran Yurdagul.

Vodafone Qatar's advanced connectivity solutions and Innovation Streams' expertise in strategy and emerging technologies will be leveraged to explore new business opportunities, drive innovation, and enhance Qatar's entrepreneurial ecosystem.

The partnership aims to create a platform for growth through various initiatives, including training sessions, consultations, joint product offerings, and access to exclusive resources - empowering the next generation of business leaders in Qatar.

Yurdagul said, "As a key player in Qatar's telecommunications sector, we are excited to partner with Innovation Streams to accelerate the growth of startups and foster innovation across the region. By leveraging our cutting-edge digital solutions and Innovation Streams' expertise, we are confident this partnership will contribute to strengthening Qatar's startup landscape and promoting sustainable growth."

Ramzan al-Naimi, founder and CEO of Innovation Streams, said: "Our goal at Innovation Streams is to create a strong and supportive environment where startups and small businesses can thrive. We believe that access to the right knowledge, tools, and community support is essential for sustainable growth.

"Partnering with Vodafone strengthens this vision, allowing us to extend meaningful support to entrepreneurs. By working together, we can foster innovation, collaboration, and a lasting impact on Qatar's entrepreneurial landscape."

Vodafone Qatar provides comprehensive digital solutions, catering to consumer and business needs, including various connectivity and Internet of Things (IoT) products that can be applied across industries, in varying contexts, to improve business operations, internal frameworks, and employee and customer experience.

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QIIB AGM postponed due to lack of quorum

QIIB has announced the postponement of its Ordinary and Extraordinary General Assembly Meeting last night due to a lack of quorum. The AGM will now be held on March 18, a QIIB spokesman said.

MoCI's commerce sector committee discusses business environment challenges in Qatar with private sector

The commerce sector committee at the Ministry of Commerce and Industry (MoCI) yesterday held a meeting with private sector representatives to discuss the challenges facing the business environment and assess implications for the sector.

The meeting was chaired by Ayed Menahi al-Qahtani, Assistant Undersecretary for Commerce Affairs and chairman of the commerce sector committee, alongside committee members and representatives from Qatar Chamber.

Participants reviewed proposals from private sector representatives, focusing on reaching solutions to improve the business environment and foster commercial growth.

Discussions also focused on enhancing co-operation between the public and private sectors to overcome challenges and achieve sustainable growth in the commerce sector.

The committee was established in 2024 by a decision of HE Sheikh Faisal bin Thani bin Faisal al-Thani, the Minister of Commerce and Industry.

Besides al-Qahtani, other committee members are representatives from the Ministry of Transport, General Authority of Customs, Qatar General Organisation for Standards and Metrology, General Tax Authority, Free Zones Authority, Economic Zones Company (Manateq), and the MoCI. The committee is responsible for organising meetings with the private sector to identify challenges, gather proposals, and assess implications for the business environment and the economy at large.

It aims to strengthen partnerships between the public and private sectors, ensure transparency in regulatory measures, and build trust among stakeholders.

Additionally, the committee provides recommendations and proposals based on the outcomes of organised workshops and meetings, ensuring alignment with economic development priorities and business environment improvements.

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BUSINESS

Sanctions are tangling, not stopping, China's Iran oil trade

Bloomberg
Singapore

Successive rounds of sanctions on companies and tankers said to be aiding Tehran are finally slowing the flow of Iranian oil to China, as costs rise and more traders are compelled to engage in risky efforts to circumvent US measures.

In recent weeks, shipments have been disrupted by a spate of seller defaults, according to executives at Chinese private refineries, the buyers of most of Tehran's cargoes. While they said no specific reason was provided, they blamed logistical challenges and higher expenses snarling the supply chain.

Some Iranian tankers have been sanctioned en route to their destination, the executives said, adding to the disarray. They asked not to be identified as the discussions are private.

Trade with China, by far its largest oil buyer, has long been a financial lifeline for Tehran, and one that Washington has increasingly been focused on severing. After the latest rounds of sanctions on tankers, owners, brokers and traders, the US blacklist now covers more than two-thirds of the approximately 150 vessels that handled the shipments of Iranian crude in 2024, according to data analytics firm Kpler.

China does not recognise unilateral sanctions and has repeatedly defended its right to trade with Iran. But the realities of the vast US financial system mean ports and shipping companies with links outside the mainland are reluctant to risk dealing with sanctioned entities and vessels, especially as US President Donald Trump promises tougher enforcement.

Earlier this year, Shandong Port Group — which serves a province that is a hub for private refiners — urged operators to reject blacklisted tankers.

The cost of working around Washington's curbs is hefty and rising. The chartering rate for a non-sanctioned supertanker willing to move Iranian oil from Malaysia to China was pegged at between $5mn to $6mn earlier this month — a level that traders say is a record high and an increase of as much as 50% from last year. The use of smaller tankers — less cost-effective than more typical large alternatives — has spiked, based on Kpler data. In February, a ship-to-ship oil transfer off Malaysia was conducted between an Iran oil-laden supertanker and three Aframax-size vessels, an unusually slow and expensive move.

Shipping analysts have also pointed to an increasingly limited number of available vessels, as the US blacklist grows in size. That's a significant hurdle, given the trade leans heavily on transfers at sea and requires a large number of ships.

Middlemen and traders typically offer Iranian oil to buyers at a fixed differential to a global pricing benchmark, such as Brent futures. This price includes the cargo's value as well as add-on costs of booking tankers — typically two or more are needed for this route — STS transfers, insurance and port fees. Sudden spikes in any of these costs, or indeed the failure to secure vessels or delay, can erase traders' profit and the deal's viability. A higher price, meanwhile, reduces the attraction for China's cost-sensitive buyers.

Last week, offers for Iranian crude for China delivery were on the rise, with the discount on Iranian oil narrowing to $0.50 to $1 a barrel against Brent futures, traders said. That compares to a discount of $1 to $1.50 a week earlier.

Big jumps in freight rates are a headache for sellers as the expense is tough to pass on, said Mia Geng, a Singapore-based oil analyst with FGE Group. "Faced with the prospect of shipment delays, Chinese buyers will be looking for deep discounts, which would eat into the profits of sellers and middlemen."

But increased friction in the trade does not mean that China's purchases from Iran will slow dramatically — much less cease. The trade has been thriving since 2018 when US sanctions on Tehran were reinstated, and has proven to be adaptable. Last month, flows surged to a four-month high, partly due to a backlog of delayed cargoes from the prior month.

Sanctions are an imperfect tool, said Ja Ian Chong, associate professor of political science at the National University of Singapore.

"While they're sometimes described as a way to seal off a certain trade or nation, the point is always to raise the cost of operating to an extent that it forces a change in behaviour," he said. "There will always be some leakage under any form of sanctions."

In the waters off Malaysia, the most significant mustering point for the shadow fleet anywhere in the world and a hub for the Iranian crude trade, more ship-to-ship transfers have been happening entirely in the dark, meaning all transponders are turned off.

Up to seven transfers were observed on a single day last month, according to satellite images. Analysts said most of them were totally "dark", indicating shippers are taking more precautions as Washington points to increased enforcement.

To date, tactics like these have been enough to muddy the origin of cargo, far from prying eyes. US President Donald Trump, though, has signalled he intends to apply "maximum pressure" on Iran. For that, Washington could tighten up the application of secondary sanctions on those dealing with Tehran, a move that would cool trade further, and could even attempt enforcement at sea.

A Reuters report last week, citing several US officials, said the Trump administration was considering a plan to stop and inspect Iranian oil tankers, a move that's sure to deter or spook some operators and brokers in the China trade — even if it is unclear whether US forces and willing allies would have the capacity to carry this out.

Qatar Chamber's Gold and Jewellery Committee discusses pricing mechanisms

The Gold and Jewellery Committee at Qatar Chamber recently met to review the role of the Quality License and Market Control Department and discuss key challenges facing the sector, particularly pricing mechanisms for gold jewellery. Qatar Chamber board member Nasser bin Sulaiman al-Haider, who is also chairperson of the committee, presided over the meeting in the presence of Ahmed Gharib, who represented the Quality License and Market Control Department at the Ministry of Commerce and Industry, and other committee members.

Qatar Chamber board member Nasser bin Sulaiman al-Haider, who is also chairperson of the committee, presided over the meeting in the presence of Ahmed Gharib, who represented the Quality Licence and Market Control Department at the Ministry of Commerce and Industry, and other committee members.

Al-Haider commended the ministry for its co-operation and prompt response to the chamber's invitation to participate.

Gharib, on the other hand, reaffirmed the commitment of Dr Mohammed bin Mubarak al-Ameri, director of the Quality License and Market Control Department, to maintaining open communication with the chamber and continuously enhancing work mechanisms to achieve the desired objectives.

Al-Haider called on committee members to submit their proposals for improving the pricing mechanisms of gold crafts and bars to the department. He also emphasised the importance of aligning market regulations with Qatar's vision for business development and enhancing the overall business environment.

The committee recommended another meeting between the committee and the Consumer Protection Department to discuss exchange and return policies, emphasising the need for more joint meetings to address various issues affecting the sector.

Buying in consumer goods and industrials lifts Qatar bourse; Islamic index gains faster

By Santhosh V Perumal
Business Reporter

The Qatar Stock Exchange yesterday opened the week on a stronger note with its key index gaining as much as 12 points on consumer goods and industrials sectors.

The local retail investors were increasingly net buyers as the 20-stock Qatar Index rose 0.11% to 10,525.62 points, recovering from an intraday low of 10,495 points.

The foreign individuals were seen bullish in the main market, which has reported 0.43% losses year-to-date.

The foreign funds were seen net buyers in the main bourse, whose capitalisation was up QR0.58bn, or 0.09%, to QR616.65bn on the back of microcap segments.

The foreign institutions continued to be bullish but with lesser vigour in the main market, which saw no trading of exchange traded funds (sponsored by Masraf Al Rayan and Doha Bank).

The Gulf institutions' weakened net selling had its influence on the main bourse, whose trade turnover and volumes were on the decrease.

The Islamic index was seen gaining faster than the other indices of the main market, which saw no trading of treasury bills.

The Arab retail investors were increasingly net sellers in the main bourse, which saw no trading of sovereign bonds.

The Total Return Index rose 0.11%, the All Share Index by 0.1% and the All Islamic Index by 0.15% in the main market.

The consumer g oods and services sector index gained 0.48%, industrials (0.34%), insurance (0.15%), banks and financial services (0.12%) and telecom (0.09%); while transport declined 0.83% and real estate (0.16%).

Major gainers in the main bourse included QLM, Qamco, Gulf International Services, Qatar Islamic Insurance and Alijarah Holding.

Nevertheless, Nakilat, Milaha, Estithmar Holding, Al Mahhar Holding and Medicare Group were among the shakers in the main market. In the junior bourse, Techno Q saw its shares depreciate in value.

The local retail investors' net buying increased noticeably to QR5.55mn compared to QR0.72mn on March 9.

The foreign individual investors turned net buyers to the tune of QR2.12mn against net sellers of QR0.08mn last Thursday.

The foreign institutions were net buyers to the extent of QR1.31mn compared with net sellers of QR33.96mn the previous day.

The Gulf institutions' net profit booking declined perceptibly to QR4.34mn against QR11.01mn on March 9.

However, the Arab individuals' net selling strengthened markedly to QR5.1mn compared to QR3.09mn last Thursday.

The Gulf retail investors' net profit booking grew marginally to QR0.8mn against QR0.24mn the previous trading day.

The domestic institutions' net buying decreased drastically to QR1.26mn compared to QR47.66mn on March 9.

The Arab institutions had no major net exposure for the fourth consecutive day.

The main market witnessed a 13% contraction in trade volumes to 131.67mn shares, 23% in value to QR323.83mn and 49% in deals to 8,951.

In the venture market, trade volumes plummeted 91% to 5,000 equities, value by 91% to QR0.14mn and transactions by 94% to 1.

The ultimate resource

No commodity is of more fundamental importance than water. It is limited in supply, too often polluted, and may be treated less respectfully than minerals of lesser importance such as gold. Recent developments show that humans are collectively stepping up as responsible custodians of this precious resource

By Fahad Badar

Water is too big to fail, but it is so ubiquitous in some parts of the world that we take its availability for granted. This may be changing, and a growing number of governments, businesses, investors and international agencies recognise the need.

Last year a major international summit hosted a strategic discussion on water, in the context of the finding that demand is projected to outstrip supply by 40% by the end of the decade. The United Nations estimates that around 30% of the world's population still lack reliable access to clean drinking water. One quarter of the world's population live in nations with extreme water stress, defined as using 80% of supply annually or more. There are even cases of water theft, for example in northern Chile, gangs with lorries siphon off water intended for irrigation, harming agricultural output.

Only 3% of the world's water is fresh, much of that is in the form of glaciers, which are melting, and there is scarce rainfall in many heavily populated areas. In wetter parts of the world, pollution of supplies, such as nitrates from agriculture ending up in rivers and groundwater, is a significant problem.

Middle Eastern countries face some of the most significant challenges in water supply but have also made some advances. The scarcity of water in the desert and rising temperatures due to global warming are among the contributory factors. For decades, with rapidly rising populations and urbanisation, it has been clear that groundwater sources were inadequate, so desalination plants are essential.

In Qatar, domestic water consumption doubled between 2010 and 2020. Annual use of water in agriculture rose from 140mn m3 in 1990 to 296mn m3 in 2016. In 2010, there was only 48 hours' worth of supply in reserve. The Water Mega Reservoirs project, which began in 2015, involves the construction of 24 large concrete reservoirs. Loss of water through leakages in the system has been sharply reduced. Qatar is now one of the most water-resilient nations.

Other regions have followed similar policies. Rising temperatures in the Mediterranean threaten desertification. In Barcelona earlier this year, supplies fell to below 16% of normal capacity, resulting in rationing. In June, 14 municipalities in Greece declared a state of emergency over water scarcity.

Islands where villas and hotels have been built for tourists have not always had water supply scaled up sufficiently, which has meant water rationing and sometimes having to import water in ships.

There are 57 desalination plants in Aegean islands, twice the number of a decade ago. Some islands are mostly or entirely dependent on them.

There are problems with desalination: It is an energy-intensive process. Production is expensive, and supply is often subsidised, resulting in fiscal problems for the state. The process results in concentrated brine as a by-product which damages marine ecosystems if simply discharged back into the sea. A circular economy approach can offset or mitigate the impact. Qatar Energy and partners have invested QR1bn into a process for recycling waste water from desalination, extracting valuable salts.

As well as recovering salts, technological advances for the desalination industry cover digital control systems to enhance energy efficiency and self-cleaning membranes that prevent scale.

Investors are belatedly turning their attention to water technology. Innovation and technology in the handling, recycling and general management of water is emerging as an issue of comparable or even greater importance than clean energy. There is only one 'unicorn' in the field – the Boston-based firm Gradiant, which develops technologies that enhance an efficient supply chain for the water industry and reduce pollution.

There are nascent technologies to extract the moisture from mist and overnight dew, with significant potential in areas with low rainfall.

Humans are capable of considerable thoughtlessness and waste – but also ingenuity and adaptation. Nowhere are these attributes more important than in the area of water conservation and supply.

■ *The author is a Qatari banker, with many years of experience in the banking sector in senior positions.*

QIIB launches Ramadan finance offer with Qatar Airways Privilege Club

QIIB has launched a personal, auto, and home finance offer for its customers in celebration of the holy month of Ramadan, featuring competitive financing rates along with the chance to win prizes from a pool of 40mn bonus 'Avios' with Qatar Airways Privilege Club.

With this special offer, which runs until March 30, existing QIIB customers — as well as new customers who transfer their salaries and financial commitments to the bank — can benefit from personal, auto, or home financing at a competitive profit rate starting from 5%, based on their classification.

Additionally, customers availing financing during the offer duration will enter a draw and have the chance to be one among the 40 winners of 1mn bonus Avios each with Qatar Airways Privilege Club.

Winners of the bonus Avios can use them for flights with Qatar Airways, oneworld airlines and partner airlines, upgrades, extra baggage, direct bookings with Qatar Executive, packages with Qatar Airways Holidays, shopping and dining at Qatar Duty Free, bidding on Privilege Club Collection and much more.

The draw is subject to the offer terms and conditions, which are available on the QIIB website.

Customers who receive financing under this new offer will benefit from a grace period of up to 12 months for Qatari nationals and three months for residents, calculated within the financing tenure.

Applicants can apply for financing through various channels, including QIIB's digital platforms such as mobile and online banking, or by visiting any of the bank's branch.

Khaled Abdul Rahman al-Shaibei, Head of Business Development at QIIB.

Khaled Abdul Rahman al-Shaibei, Head of Business Development at QIIB, stated, "We take this opportunity to extend our warmest greetings to our customers and all Qataris and residents on the occasion of the blessed month of Ramadan. We are pleased to announce the launch of our best finance offer, carefully designed to meet our customers' expectations and financial needs.

Through this offer, we are also delighted to again collaborate with Qatar Airways Privilege Club. "QIIB's best finance offer, launched in celebration of Ramadan, caters to the needs of various customer segments—whether they are seeking personal, auto, or home finance. The offer provides competitive benefits, flexible terms, and streamlined financing procedures, with the added convenience of digital channels for a faster and more seamless customer experience."

Al-Shaibei explained: "Along with offering competitive financing benefits such as profit rates and grace periods, QIIB's special Ramadan finance offer provides an exceptional opportunity for customers to win from a total prize-pool of 40mn bonus Avios.

"A draw will be held at the end of the campaign, selecting 40 winners, each receiving 1mn bonus Avios with Qatar Airways Privilege Club.

The winning members can use their Avios for rewards of their choice with Qatar Airways Privilege Club, adding significant value to our best finance offer in celebration of Ramadan."

Thomas Vadakedath, Senior Vice-President (Loyalty) at Qatar Airways, stated: "We deeply value the partnership between Qatar Airways Privilege Club and QIIB, and are committed to bringing our loyal members exciting partner offers."

He added, "We are delighted to celebrate QIIB's finance offer for Ramadan with a prize-pool of 40mn bonus Avios, and look forward to seeing our winning members make the most of their Avios and use them for rewards of their choice to elevate their travel and lifestyle experience."

MoCI commences verification of local factories eligible for enhanced ICV policy

The Ministry of Commerce and Industry (MoCI) has commenced the verification of local factories eligible to benefit from the benefits outlined under the enhanced in-country value (ICV+) policy, which aims to support Qatari products and enhance the industrial sector in the country.

To benefit from the ICV+ policy, interested factories must review whether its industrial activities are fully aligned with the commercial registration; and ensure absence of non-manufacturing activities in the commercial registration; and validity of commercial registration and industrials licenses, MoCI said in its social media handle X. The country's ICV+ policy supports eligible manufacturers by increasing their ICV score by 50%, thus promoting local industry and encouraging in-country value.

The ICV measures the economic value added from local operations and retained spend. It is measured using a formula which captures the contribution of eligible local costs from total costs incurred from operations in Qatar.

This formula considers the contribution from local purchases, upskilling the workforce, developing local suppliers, and establishing capital investments.

The ICV rewards bidders based on their local contribution, providing them with a competitive advantage during commercial evaluation in tenders with the energy sector.

Doha Bank, Ooredoo Money forge strategic partnership

Doha Bank and Ooredoo Money, provided by Ooredoo Fintech, a subsidiary of Ooredoo, have signed a Memorandum of Understanding (MoU) to collaborate on a variety of initiatives aimed at promoting the fintech landscape in Qatar through Ooredoo Money.

The strategic partnership was announced during the prestigious Web Summit Qatar 2025. The MoU outlines a framework for co-operation between the two organisations to develop and implement innovative fintech solutions that will enhance digital banking services and financial inclusion in the country. The collaboration will focus on leveraging advanced technologies to provide seamless and secure financial services to customers.

Sheikh Abdulrahman bin Fahad bin Faisal al-Thani, Group CEO of Doha Bank, and Sheikh Ali bin Jabor al-Thani, chairman of Ooredoo Financial Service and CEO of Ooredoo Qatar, during the MoU signing ceremony held on the sidelines of Web Summit Qatar 2025.

Sheikh Abdulrahman bin Fahad bin Faisal al-Thani, Group CEO of Doha Bank, said: "Our partnership with Ooredoo Money marks a significant step towards fostering innovation in the financial services industry. By working together, we aim to create a robust fintech ecosystem that supports the digital transformation of banking services in Qatar."

Sheikh Ali bin Jabor al-Thani, chairman of Ooredoo Financial Service and CEO of Ooredoo Qatar, said: "We are excited to partner with Doha Bank to drive the growth of the fintech sector in Qatar.

This collaboration will enable us to combine our expertise and resources to deliver cutting-edge financial solutions that meet the evolving needs of our customers. "We are thrilled to embark on this partnership with Doha Bank, which will help us accelerate the growth of fintech in Qatar. By combining our technological expertise and commitment to innovation, we aim to enhance financial inclusion and provide Qatar's businesses and consumers with advanced, secure, and convenient financial services.

This collaboration reinforces Ooredoo Fintech's mission to shape the future of digital banking in the region."

The partnership between Doha Bank and Ooredoo Money is expected to pave the way for new opportunities in the fintech space, benefiting both consumers and businesses. The two organisations are committed to driving financial innovation and contributing to the overall economic development of Qatar.

Inflation-linked bonds in US rebound on Trump tariffs

Bloomberg
New York

Money managers are flocking to bonds that hedge against inflation amid uncertainty about tariffs and their impact on the cost of living.

Federal Reserve Bank of Philadelphia President Patrick Harker warned this past week that risks to the economy are rising, in part due to increasing prices.

That fear helped spur the Bloomberg Global Inflation Linked Index, a gauge of investment-grade inflation-linked debt in developed markets, to gain about 5% from January 13 through Thursday's close.

US President Donald Trump has asked the public to bear with him as he seeks to overhaul trade policy, describing the economic pain that's expected to come with that as a "little disturbance."

Policy uncertainty in the wake of tariff announcements has contributed to a negative shift in sentiment across markets, leading to sharp declines in equities, a weakening in the dollar and outflows in Treasuries funds.

It's also contributed to falling Treasury yields, which is part of what makes this trade so hard to navigate.

But rising inflation is a real possibility now even if many investors are bracing for rate cuts, said Nicolas Trindade, who runs a number of funds at AXA Investment Managers. He expects volatility to increase amid the unpredictable economic strategy.

"The main risk for 2025 is a sharp resurgence in US inflation on the back of tariffs, tax cuts and immigration restrictions that could lead the Fed to open the door to hiking interest rates again," he said. "The market is definitely not priced for that." And looking deeper in bond markets, there are signs that investors are worried about price changes across the economy. Short-term inflation expectations have risen above longer-term ones.

Inflation-linked bonds are a "great option value" in case prices creep back up, Bridgewater Associates Co-Chief Investment Officer Bob Prince wrote in a note this past week. Bank of America Corp strategist Mark Cabana, meanwhile, expects strong retail interest in shorter-dated Treasury Inflation Protected Securities funds because of the risks from tariffs and other policy uncertainties.

The bonds also typically have longer duration, which can help fuel gains if yields fall. The latest rebound follows a tough year. In 2024, the inflation linked bond index fell nearly 4%, the most out of Bloomberg's 20 key fixed-income benchmarks.

Trump's request for the nation's backing comes as subprime car owners miss monthly payments at the highest rate in more than 30 years, jobless claims are high by at least one measure, and housing demand faces headwinds from high borrowing costs. Businesses and consumers are already becoming more cautious, with some companies on the west coast pausing investment decisions as they wait for clarity on fiscal and regulatory policy changes.

As the Trump administration's plans for tariffs shift regularly, money managers continue to prepare for potential turmoil. Investors have been "aggressively buying downside protection" with volatility index call volume and S&P 500 put volume buying near record highs, Apollo Global Management Chief Economist Torsten Slok wrote in a note on Friday.

Shoppers inside a Home Depot store in Roseville, California. Money managers are flocking to bonds that hedge against inflation amid uncertainty about tariffs and their impact on the cost of living.