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Tariffs angst sinks US consumer sentiment in April

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ASSAULT ON GLOBAL TRADE: Page 2

US Treasuries suddenly trade like risky assets in warning to Trump

MoU to bolster Canada-Qatar initiatives in education, tech and energy transition

By Peter Alagos
Business Reporter

A delegation from the Canadian-Qatari Business Forum (CQBF) is scheduled to arrive in Doha on April 20 to explore opportunities in economic development, education, technology, public finance management, and energy transition, as well as the role and function of Qatar Foundation.

The delegation will be led by Dr Philippe Couillard, the 31st Premier of Quebec, who will meet various public and private officials and stakeholders in Qatar, under the guidance of the CQBF and the diplomatic representatives of both countries.

"Canada can be a productive partner for Qatar in all these areas. An overarching objective of the visit could be the conclusion of a memorandum of understanding (MoU) between the CQBF and the Qatar Foundation in establishing a framework for collaborative projects in the many sectors participating in the country's socio-economic development," Couillard told *Gulf Times* in an interview.

According to Couillard, the MoU framework reflects the continuation of the CQBF's initiatives with emphasis on projects that will bring long-lasting benefits to both countries.

"Qatar and Canada have a lot in common already, particularly in energy, given the fact that both countries rank among the world's most important producers of oil, gas, and mineral resources.

"The current push toward electrification has put 'critical minerals' at the forefront of the priorities of many countries. Canada is particularly blessed with vast quantities of such resources, which it aims to develop sustainably with particular attention given to the development of tangible benefits for its First Nations," the former Premier pointed out.

Dr Philippe Couillard, the 31st premier of Quebec, is scheduled to meet various public and private officials and stakeholders in Qatar from April 20-25, under the guidance of the CQBF and embassies of both countries.

Couillard emphasised that the rapidly evolving field of artificial intelligence (AI) is another sector that could produce interesting initiatives through long-term collaboration agreements involving the training of the next generation of AI specialists.

"Canada has two internationally-recognised hubs in Toronto and Montreal with professors G Hinton and J Bengio with significant academic and private sector activity. These include technological and ethical areas of interest, such as the Montreal Declaration on the ethical utilisation of AI – an example of the topic that could eventually be the theme of a joint initiative/event by the CQBF and Qatar Foundation," Couillard noted.

Another specific objective of the CQBF's six-day visit to Doha involves Diagnos Inc, a company offering AI-assisted imaging of the retina to diagnose and follow conditions, such as diabetic retinopathy.

"It is important for the GCC region to know this specific condition and its dramatic consequences – blindness – if left undetected and untreated. Beyond the company itself, this example illustrates how AI can be deployed in a healthcare system with minimal costs and address a specific health condition that has a significant impact on the population's health," Couillard explained.

Similarly, Eleqtrion Inc, an early-stage startup active in the battery sector now developing an aluminium-ion battery could have an interest in Qatar as it represents a new and exciting development for its burgeoning aluminium production industry, he said.

"I am one of the three founders of the company. As we are making good progress in the development of our battery, we will be looking for partners and investors in Qatar. The new generation of batteries would be a good addition to the growing production of renewable energy, specifically solar, particularly if it can be manufactured locally to the benefit of the GCC region, the Middle East, and Asia," Couillard also said.

He added: "As a renewed world order is taking shape positive, peace-seeking messages must continue to be heard around the world. Although on different continents, with different cultural backgrounds, Canada and Qatar are well-positioned to continue playing that role.

"In continuation of previous work and with the existing organisations, I hope to find myself in a position to contribute to the wellbeing of citizens of both countries."

Qatar banks' net profit to remain 'broadly stable' in 2025: Moody's

By Santhosh V Perumal
Business Reporter

Qatari banks' bottom-line is expected to remain "broadly stable" this year as growth in non-interest income would largely mitigate lower net interest earnings in view of expected interest rate cuts, according to Moody's, an international credit rating agency.

"We expect Qatari banks' net profit to remain broadly stable in 2025 as interest rate cuts constrain net interest income but non-interest income grows," the rating agency said in its latest report.

Higher fee and commission income, driven by a growing non-funded income related activities at the Qatari banks, would offset a drop in net interest income as interest rate cuts constrain margins, keeping operating income "broadly stable", it said.

Expecting cuts in interest rates in 2025 to temporarily squeeze net interest margins as interest on loans will decline faster than interest paid on deposits and other funding costs; it however said this will be mitigated by the banks' skew towards short term funding, which enables them to respond quickly to lower interest rates.

The rating agency expects the banks' profitability to remain sound in 2025 and that single-digit credit growth will support capital buffers at current strong levels. The banks' combined net profit had seen a 7% year-on-year growth to QR28.3bn during 2024.

Aggregate tangible common equity was stable at 16.5% of risk-weighted assets as of December 2024, supported by profit retention and strong earnings.

Expecting non-oil GDP (gross domestic product) growth in Qatar, where the banks focus their lending activity, to likely rise to 3.5% annually in 2025 and 2026 compared with an estimated 3% in 2024; it forecasted GDP growth to benefit from projects related to Qatar's expanded LNG or liquefied natural gas production capacity as well as sporting events, business exhibitions and tourism-related activities.

However, non-oil GDP growth fell to 1.1% in 2023 from 5.7% in 2022, when Qatar hosted the FIFA World Cup and benefited from related infrastructure and investment activity. "As a result, we expect private-sector credit growth of around 6% in 2025, up slightly from 4% in 2024," Moody's said.

Still high, though declining, provisioning costs will somewhat offset operating income stability as pressure on the real estate and contracting sectors persists, it said, adding provisioning costs would remain high compared with historical levels; while operating expenses would continue to grow, driven by the banks' continuous investment in technology.

Current market volatility and lower commodity prices, if sustained, may however increase the downside risks to the expectation of Qatari banks' profitability for 2025, Moody's cautioned.

Qatari banks have the highest operating efficiency in the Gulf region, though their cost-to-income ratio increased in 2024, it said, adding aggregate operating expenses rose by 10% on an annualised basis.

Aggregate provisioning charges declined by 12% in 2024 compared with the end of 2023, the second fall since the pandemic, and consumed around 26% of pre-provision income versus 30% in 2023, Moody's found.

"Cost of risk remains higher at banks that are more exposed to financially strained sectors such as real estate and contracting.

At the same time, banks that provisioned in advance are now lowering their provisioning costs," it said.

QSE key index falls 138 points; M-cap erodes QR7.57bn

By Santhosh V Perumal
Business Reporter

WEEKLY REVIEW

The recession fears instilled by the US tariff strategy and the appurtenant trade chaos had profound impact on the Qatar Stock Exchange (QSE) this week, which saw its key index lose as much as 138 points and capitalisation erode about QR8bn.

The domestic institutions' net buying substantially weakened as the 20-stock Qatar Index tanked 1.35% this week which saw QNB report net profit of QR4.3bn in the first three months of this year.

Although the last day of the five-day session saw huge gains with the US announcing 90-day hiatus on imposition of tariffs, overall the QSE, which remained closed for a week before in view of Eid holidays, was on a slippery path this week.

About 55% of the traded constituents were in the red this week which saw Aamal Company's subsidiary Ebn Sina sign an agreement with BeiGene, commencing cancer treatment in Qatar.

The foreign individual investors were seen net profit takers in the main bourse this week which saw the Qatar Financial Markets Authority issue the Code of Conduct governing transactions among dealers in the Qatari financial markets as part of efforts to develop the financial market and boost the confidence of participants in it.

The Gulf retail investors were also seen bearish in the main market this week which saw a total of 0.59mn AlRayan Bank-sponsored exchange traded fund QATR worth QR1.3mn trade across 66 deals.

The foreign institutions continued to be net sellers but with lesser intensity in the main bourse this week which saw as many as 0.02mn Doha Bank-sponsored exchange-traded fund QETF valued at QR0.17mn change hands across 30 transactions.

The local retail investors were seen bullish in the main market this week which saw a total of 0.1mn sovereign bonds valued at QR1.04bn trade across three deals.

The industrials counter witnessed higher than average selling pressure in the main bourse this week which saw no trading of treasury bills.

The domestic institutions' net buying support substantially weakened as the 20-stock Qatar Index tanked 1.35% this week

The Islamic index was seen declining slower than the other indices of the main market this week, which saw global credit rating agency Moody's view Qatari banks' bottom-line to remain "broadly stable" this year as non-interest income growth to largely mitigate lower net interest earnings.

Market capitalisation eroded QR7.57bn or 1.26% to QR593.13n on the back of large and midcap segments this week which saw Strategy& Middle East find that the Gulf telcos can enhance value to their customers and generate up to $5.90 in Ebitda for every $1 invested in an artificial intelligence-powered "engine" that enables personalised marketing and customer value management at scale. Trade turnover and volumes were on the increase in the main market; while the junior market's trade volume and value were on the decline this week.

The Total Return Index shed 1.35%, the All Islamic Index by 1.05% and the All Share Index by 1.17% this week which saw the industrials and banking sectors together constitute about 57% of the total trade volumes. The industrials sector index plummeted 2.54%, banks and financial services (1.26%), transport (0.93%) and consumer goods and services (0.4%); while insurance surged 2.54%, telecom (0.81%) and real estate (0.01%) this week.

Major losers in the main market included Industries Qatar, Widam Food, Salam International Investment, Qamco, Gulf International Services, Mesaieed Petrochemical Holding, Inma Holding, QNB, AlRayan Bank, Dukhan Bank, Qatar Oman Investment, Al Mahhar Holding and Milaha this week.

Nevertheless, Estithmar Holding, Qatar Insurance, Doha Bank, Qatar General Insurance and Reinsurance, Al Faleh Educational Holding and Mazaya Qatar were among the movers in the main bourse. In the venture market, Techno Q saw its shares appreciate in value this week.

The foreign individuals turned net sellers to the tune of QR7.6mn compared with net buyers of QR11.52mn the week ended March 27.

The Gulf retail investors were net sellers to the extent of QR6.97mn against net buyers of QR1.78mn the previous trading week.

The domestic funds' net buying declined substantially to QR8.1mn compared to QR160.37mn the week ended March 27.

However, the Gulf institutions' net buying weakened significantly to QR6.96mn against QR42.48mn the previous week.

However, the Qatari individuals turned net buyers to the tune of QR45.77mn compared with net sellers of QR11.47mn the week ended March 27.

The Arab individuals were net buyers to the extent of QR6.6mn against net profit takers of QR17.26mn the previous week.

The foreign institutions' net selling decreased drastically to QR52.87mn compared to QR102.63mn the week ended March 27.

The Arab funds continued to have no major net exposure for the second successive week. In the main market, trade volumes more than doubled to 1.25mn shares and value soared 86% to QR2.93bn on more than doubled deals to 170,4448 this week.

The venture market saw 77% plunge in trade volumes to 0.23mn equities and 78% in value to QR0.63mn but on 22% jump in transactions to 50.

BUSINESS

Hedge funds are hunting deals in risks too big for insurers

Bloomberg
Los Angeles

As Los Angeles residents digested the scene left by wildfires earlier this year, the stage was simultaneously being set for hedge funds to pursue market-beating returns fanned by climate change. The investment model in question is built around so-called subrogation claims, which are used by insurers to try to recoup some of the money they've paid out to policyholders. Insurers resort to subrogation when they suspect that a third party — a utility, for example — is ultimately responsible for the losses. But rather than deal with the recovery risk themselves, insurers have been selling those claims on to alternative investment managers.

Cherokee Acquisition has recently brokered subrogation deals for "larger, more sophisticated distressed debt hedge funds," says Bradley Max, a director at the New York-based investment bank. Transactions have been tied to claims related to the Eaton and Palisades fires, he said.

Other investment firms looking to make money on claims stemming from the LA fires include Oppenheimer & Co, which recently executed a trade of subrogation claims, Bloomberg has previously reported. Investors have been paying about 40-45 cents on the dollar, according to Max.

As climate change leads to increasingly devastating natural disasters and unmanageable property losses, the question of who's ultimately on the hook is more contentious than ever.

Fiona Chaney, senior investment manager and legal counsel for Omni Bridgeway, a specialist in subrogation claims and other forms of litigation finance, says the firm is readying for market growth as "claims get larger and larger." Targets of subrogation claims have "paid out and paid out and paid out from so many massive wildfires", so the motivation for insurers and investors is clear, she said.

Last year, insured losses hit $140bn as natural catastrophes destroyed everything from critical infrastructure to private homes across the globe, according to Munich Re. The German reinsurer describes the development as a series of record-breaking events whose "consequences are devastating." In all, natural disasters were responsible for $320bn of losses in 2024, including those not covered by insurance, Munich Re estimates.

There's widespread consensus that insurers alone can't meet the growing coverage needs associated with the costs of climate change. In Europe, regulators warn that the widening gap in natural-catastrophe insurance protection requires a whole array of new policy responses. That includes greater capital markets participation, according to a discussion paper published by the European Central Bank and the European Insurance and Occupational Pensions Authority.

The role played by capital markets in helping insurers cope with their growing costs has tended to centre on products like insurance-linked securities, including catastrophe bonds.

"The cat bond market continues to grow due to increased demand for risk transfer primarily driven by economic development, concentration of insured values in exposed areas, changing vulnerability and climate change," Swiss Re said in a statement on Monday, announcing a new partnership with GAM to co-manage a portfolio of ILS products.

The market for investing in subrogation claims had a seminal moment more than half a decade ago, when faulty power lines and equipment failures at California utility PG&E were blamed for wildfires in the state. Back then, hedge fund Baupost Group LLC purchased claims against PG&E worth $6.8bn, from which it's thought to have generated an estimated $1bn of profits, Bloomberg reported at the time.

Max says that since the PG&E case, investors have increasingly seen "an opportunity to provide liquidity to insurance companies".

Typically, they're looking at returns in the "low teens", he said. With transactions limited to over-the-counter deals, there's little data available on prices or volumes. But those who are close to the market agree that "double-digit" returns are the standard, according to Michel Léonard, chief economist at the Insurance Information Institute.

Morgan Stanley beats profit estimates in Q1

Reuters
New York

Morgan Stanley beat first-quarter profit estimates yesterday, helped by record equity trading and strong wealth management results.

The bank reported record equity net revenue with a 45% jump from a year ago, reflecting increases across business lines and regions, particularly in Asia, with its biggest gains in prime brokerage and derivatives.

The bank earned $4.3bn, or $2.60 per share, in the three months ended March 31. That compares with a profit of $3.4bn, or $2.02 per share, a year ago. Analysts expected earnings per share of $2.20, according to estimates compiled by LSEG.

Shares dropped 1.9% in choppy trading before markets opened.

US President Donald Trump's decision to impose heavy tariffs on major economies and the launch of China's generative AI model, DeepSeek, triggered a broad selloff in global markets.

"The volatility increased trading activity and there was deleveraging," said Chief Financial Officer Sharon Yeshaya, adding that clients continued to be active. "We have not seen, so far, signs of market dysfunction."

Potential for a recession and uncertainty over the Federal Reserve's interest-rate trajectory have kept investors on edge.

Equity trading revenue rose as investors rebalanced their portfolios, boosting volumes, mainly in technology and industrial stocks.

Fixed income trading revenue increased, as renewed concerns about stagflation due to tariffs led investors to hedge aggressively and change the types of bonds they held, and over what periods.

Morgan Stanley's total revenue rose to $17.7bn in the first quarter, compared with $15.1bn a year ago.

Wall Street's investment banks face a murky dealmaking climate, as trade tensions rattle markets and delay transactions.

A rebound in Asia helped lift global M&A volumes in the first quarter, but US activity — a key revenue driver for firms like Morgan Stanley — slumped 13% amid growing uncertainty, according to Dealogic data.

"The volatility has an impact on strategic activity. We had the largest pipeline in years but that is taking longer to materialise. Companies' boards became more cautious," Yeshaya added.

The CFO said companies are not cancelling deals, just delaying them. Morgan Stanley's investment banking revenue rose 8% from a year ago, with higher advisory and fixed income underwriting revenue. Equity underwriting revenues fell as issuers and investors considered market uncertainty.

Bankers and analysts warn the prolonged trade war, disappointing IPO debuts and weak follow-through on major deals could dampen investor sentiment and advisory pipelines in the second quarter.

Stable markets support deal activity by giving buyers and sellers more confidence around valuations, reducing execution risk and encouraging companies to move ahead with transactions.

Morgan Stanley ranked fourth globally in investment banking fees in the first quarter, according to Dealogic data.

The bank advised on several big transactions in the quarter, including Walgreens' $24bn take-private deal with Sycamore Partners. It also served as lead underwriter for AI cloud firm CoreWeave's $1.5bn US initial public offering.

Morgan Stanley's Institutional Securities business, which houses investment banking and trading, reported revenue of $9bn compared with $7bn a year earlier.

JPMorgan Chase also topped first-quarter profit estimates, driven by record equities trading and higher fees from debt underwriting and merger advisory.

Wells Fargo's first-quarter profit rose 6% as it collected more fees in wealth management and investment banking, even though its CEO warned of risks from US tariffs.

US Treasuries trade like risky assets in warning to Trump

Bloomberg
Washington

The US Treasury building in Washington, DC. As President Donald Trump unleashes an all-out assault on global trade, US Treasury bonds' status as the world's safe haven is increasingly coming into question.

Billed on Wall Street as so rock-solid safe they're risk-free, US Treasury bonds have long served as first port of call for investors during times of panic. They rallied during the global financial crisis, on 9/11 and even when America's own credit rating was cut.

But now, as President Donald Trump unleashes an all-out assault on global trade, their status as the world's safe haven is increasingly coming into question.

Yields, especially on longer-term debt, have surged in recent days while the dollar has plunged. Even more disconcerting is the pattern of the recent market moves. Investors have often dumped 10- and 30-year Treasuries — pushing prices down and yields up — at the very same time they frantically sold stocks, crypto and other risky assets. The inverse is also true, with Treasuries rising in unison with them.

They are trading, in other words, a little like a risky asset themselves. Or, as former Treasury Secretary Lawrence Summers says, like the debt of an emerging-market country.

Even if this dynamic was to fade as swings in stocks eventually normalise, as most analysts expect, a message has been delivered to policymakers in Washington: Investor confidence in US bonds can no longer be taken for granted — not after a years-long borrowing binge that swelled its debt load and not with a president in the White House hell-bent on rewriting the rules at home and abroad and antagonising, in the process, many of the country's biggest creditors.

This has profound implications for the global financial system. As the world's 'risk-free' asset, Treasuries are used as a benchmark to determine the price of everything from stocks to sovereign bonds to mortgage rates, while serving as collateral for trillions of dollars of lending a day.

Treasuries and the dollar get their strength from "the world's perception of the competence of American fiscal and monetary management and the solidity of American political and financial institutions", said Jim Grant, founder of Grant's Interest Rate Observer, a widely followed financial newsletter. "Possibly, the world is reconsidering."

Stocks, bonds and the dollar all tumbled together Thursday, adding to concerns that foreign investors are retreating from US assets en masse. Thirty-year Treasury yields surged 13 basis points to 4.87%, while the dollar plunged against the euro and Swiss franc by the most in a decade. The widespread selloff extended yesterday.

"Treasuries are not behaving as a safe haven," said ING rates strategist Padhraic Garvey. "If we were to slip into recession there is a path there for yields to revert lower. But the here and now is painting Treasuries as a tainted product, and that's not comfortable territory. Treasuries have proved to be a pain trade too."

Not everyone is convinced that investors are losing faith in the safety of US government debt. Benson Durham, head of global asset allocation at Piper Sandler and a former Federal Reserve economist, has done his own analysis comparing key Treasury-market metrics to those in Europe. Some measures suggest investors have demanded less of a premium to own US debt relative to German and UK bonds in recent days, he said.

"People are right to kind of worry about this general economic management," Durham said. But "it's not clear to me, at least not yet, that this is an episode where people are particularly penalising US assets."

Others say more technical factors are behind the recent selloff in the long-end. There are signs that hedge funds have been unwinding leveraged trades that capitalise on price differences between Treasuries and interest-rate swaps or futures contracts.

Treasury Secretary Scott Bessent backed that view in an appearance on Fox Business earlier this week.

"I believe that there is nothing systemic about this — I think that it is an uncomfortable but normal deleveraging that's going on in the bond market," said Bessent, who previously advertised lower 10-year borrowing costs as an ambition.

An auction of 30-year bonds on Thursday also saw investors snap up $22bn of the debt, supporting the argument that Treasuries continue to be attractive even during the selloff.

That's not to say that markets are behaving as usual, however.

US stocks have plunged 7% since Trump announced plans to ramp up tariffs on dozens of countries on April 2. Since then, rather than tumble, 30-year yields have actually risen around 40 basis points, only the fifth time in data going back to the 1970s that moves of this magnitude have occurred simultaneously.

The surge in yields poses a risk to Trump's stated goal of cutting taxes while reining in the budget deficit, and was at least in part behind his decision on Wednesday to announce a 90-day pause on higher tariffs for dozens of countries.

"Long-term interest rates are gapping up, even as the stock market moves sharply downwards," Summers, who is also a paid Bloomberg contributor, wrote this week in a social media post. "We are being treated by global financial markets like a problematic emerging market," he said, adding that "this could set off all kinds of vicious spirals, given government debts and deficits and dependence on foreign purchasers".

If foreign investors do decide to continue retreating from US assets, the pain could be substantial. They hold about $7tn in Treasuries, $19tn of equities and $5tn of corporate debt, accounting for about 20-30% of the total market, according to Torsten Slok, chief economist at Apollo Global Management Inc.

If recent history is any guide, a buyers' strike may have long-lasting repercussions for US borrowing costs.

Just three years ago, investor pushback against UK Prime Minister Liz Truss' unfunded tax cuts fuelled a surge in yields the country has yet to recover from, while the pound never bounced back from 2016's Brexit vote.

"There is a distrust by the market created by the on-off tariffs, and that definitely adds an uncertainty premium," said Shamil Gohil, a portfolio manager at Fidelity International.

Traders add to bets on 2025 Fed cuts with risk of emergency move

Bloomberg
New York

Traders boosted expectations for the Federal Reserve to cut interest rates this year — and raised the spectre of a reduction before the central bank's next meeting — as the US administration's tariffs ignite fears of a global recession.

Markets briefly priced in 125 basis points of easing by year end, equivalent to five quarter-point moves, overnight interest-rate swaps showed.

While traders later pared that move back, the uptick has been sharp; as of last week, just three reductions were fully priced. Swaps also show a chance of almost 40% that the central bank lowers its benchmark rate 25 basis points by next week, well before the Fed's next scheduled policy decision on May 7.

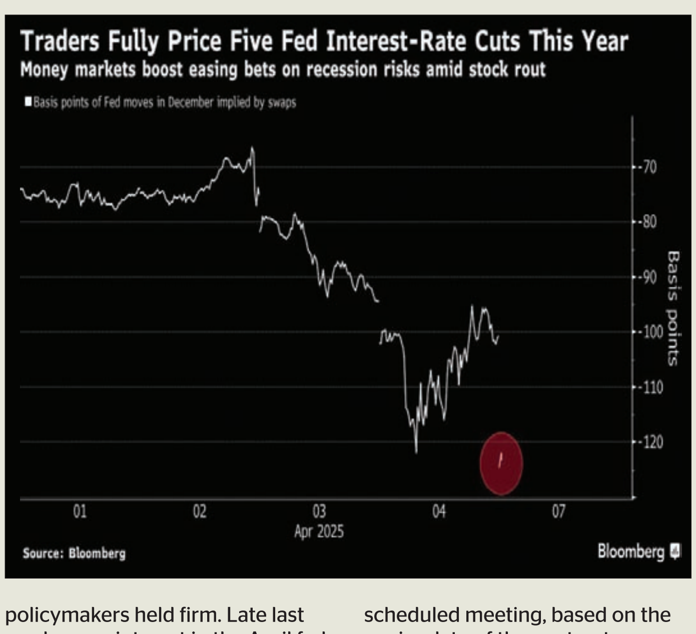
The rapid repricing reflects the fear sweeping global markets, with US President Donald Trump showing little appetite to back down on aggressive trade tariffs announced last week. He told reporters on Sunday evening to "forget markets for a second." The overarching reaction has been a flight to safety.

At one point on Monday, the yield on the US two-year bond, among the most sensitive to monetary policy, fell as much as 22 basis points to 3.43%.

The move was partly erased through the morning as the panic started to subside.

"From our perspective, it is a question of do we take some profits or let it run," said Daniel Loughney, head of fixed income at Mediolanum International Funds Ltd. "Markets are structurally intact, at the moment. We are watching things very carefully and if Trump maintains the mantra then I suspect things will get worse."

Emergency interest-rate cuts are highly unusual and last employed by the Fed as the coronavirus outbreak roiled markets in early 2020. Traders briefly anticipated an inter-meeting cut in August when stocks fell sharply amid an unwind of the yen carry-trade, but policymakers held firm. Late last week, open interest in the April fed funds futures soared, with volumes Thursday ending at a record high. At least one large block trade stands to benefit from a potential Fed policy move before the next scheduled meeting, based on the expiry date of the contract.



German bonds also rallied hard Monday, sending the German two-year yield down by as much as 20 basis points to just above 1.60% — the lowest since October 2022 — before paring the move. In recent days, JPMorgan Chase & Co said it expects the US economy to fall into a recession this year. Chief Economist Michael Feroli sees the Fed cutting in June, with moves at each subsequent meeting through January. The bank's chief executive officer Jamie Dimon weighed in early Monday, urging a quick resolution to the uncertainties sparked by tariffs.

Economists at Goldman Sachs Group Inc also changed their forecasts last week, with three reductions now the base case for both the Federal Reserve and the European Central Bank (ECB).

"The Federal Reserve may soon not have a choice but to cut rates. Tariffs raise the ugly sceptre of inflation, true, but if growth turns pear-shaped, the Fed will have no choice but to prioritise the economy," says Ven Ram, macro strategist at Bloomberg.

Governments around the world are rushing to negotiate with US officials to reduce the tariffs imposed on their exports, leaving markets in freefall as traders price in the uncertainty of whether deals can be struck.

Traders have also slashed rate-cut bets for the ECB and Bank of England on expectations policymakers will have to act to shield their economies. In both cases, swaps now imply three quarter-point cuts with almost a 50% chance of a fourth by year-end. To be sure, Fed Chair Jerome Powell made clear on Friday that he would not rush to ease rates even as turmoil erupts across markets. In a speech, he stressed that still-elevated inflation means policymakers will need to act with caution given the temporary price boost from tariffs.

Wrightson ICAP economist Lou Crandall said a chance of a cut at or before the May 7 meeting remains, in his view, below 50%, suggesting policymakers would be wary of triggering a further bout of panic.

"A pre-emptive rate cut would only be helpful if it bolstered business confidence, and that might not be the case if it were seen as a crisis response," he wrote in a note.

Singapore central bank is expected to ease currency settings on tariff risks

Bloomberg
Singapore

Singapore's central bank is expected to ease monetary policy settings further, days after US President Donald Trump unleashed the steepest tariffs in a century, threatening to disrupt global trade and sparking risk of retaliation.

All 14 economists in a Bloomberg survey on Wednesday forecast the Monetary Authority of Singapore, which uses the exchange rate rather than interest rates to stabilise prices, will reduce the slope in the policy band of the Singapore dollar's nominal effective exchange rate, or S$NEER, on Monday.

While the US dollar gained against many Asian currencies in the wake of Trump's election victory in November, the picture has become more nuanced in the past month. Investors have been selling US assets in response to higher-than-expected tariffs while Singapore's dollar has gained about 2.9% against its American counterpart this year.

"The global outlook has deteriorated significantly," said Khoon Goh, head of Asia research at Australia & New Zealand Banking Group who is predicting a shift in the policy slope to 0%. "With core inflation forecast to stay well below its long-term average levels, the MAS is now firmly focused on growth."

Singapore, which was hit with a 10% tariff, got off relatively lightly compared with China's 145% rate, but as an export-reliant economy the city-state's success rests on the health of its trading partners. Prime Minister Lawrence Wong has warned that growth this year will be "significantly impacted" and the city-state could tip into a recession.

As a result, Citigroup Inc sees a greater chance of "a more aggressive" easing by the MAS on Monday, while still sticking with its "measured" 50 basis-point slope reduction call.

Another option in the MAS's toolkit is to re-centre its policy band downward, effectively allowing the currency to depreciate. Barclays Plc is among those who sees a small probability of the MAS reducing the slope as well as re-centring its policy band downward.

"The outlook for core inflation looks benign. Growth was already set to slow materially due to the base effect after 2024's rebound. Global conditions now also favour more easing, with hefty US tariffs starting to upend trade flows and fuel financial market turmoil," says Tamara Mast Henderson, economist at Bloomberg.

UBS AG estimates the drag on economic growth from tariffs will be greatest for Thailand and Singapore, followed by Malaysia, Indonesia and the Philippines. Citi's Johanna Chua cited OECD data to estimate almost 7% of Singapore's GDP is driven by US spending, the second-highest among Southeast Asian countries, as she pointed to downside risks to the city-state's outlook from America's new import taxes. That assessment preceded Trump's announcement of a 90-day pause on higher tariffs, while raising duties on China.

"Significant global retaliation could mean further downside to these sensitivities," UBS economists wrote in a note on Monday, predicting a "larger-than-usual" slope reduction to a 0% stance. The MAS eased in January for the first time in five years, and the case to support the economy has become even stronger following Trump's tariff and the ensuing global market ructions.

The Monetary Authority of Singapore headquarters in Singapore. The central bank is expected to ease monetary policy settings further, days after US President Donald Trump unleashed the steepest tariffs in a century, threatening to disrupt global trade and sparking risk of retaliation.

Most emerging markets stock indexes decline

Reuters
London

Most emerging markets stock indexes were set for weekly declines yesterday after asset classes were thrown into disarray by wavering US trade policies, while a tariff standoff between China and Washington escalated.

Beijing increased its tariffs on US imports to 125% yesterday in response to US President Donald Trump's decision to hike duties on Chinese goods to 145%, raising the stakes in a trade war that threatens to upend global supply chains.

The offshore yuan slipped 0.1% and was last trading at 7.3 to the dollar — not far from a record low it hit earlier in the week.

Analysts expect that growth in the world's second largest economy could slow in the first quarter, ramping up expectations of fresh stimulus.

Currencies such as the Indian rupee and South African rand pared initial gains, while the Hungarian forint and the Polish zloty depreciated about 1% each against the euro.

Benchmark stock indexes in India and South Africa also cut gains, while Turkish stocks slipped 0.4% and bourses in Hungary and the Czech Republic fell over 1.2% each.

Chinese equity benchmarks had closed higher by about 0.4% before Beijing's retaliation, aided by potential state support. The gains of the heavyweight Chinese stocks helped the broader MSCI EM stocks index register a 1.7% rise.

However, the MSCI index was on track for losses for the third straight week and faced its steepest three-week drop since August 2023. Trump's 90-day pause on some US levies on world economies took effect in mid-week as he said that multiple countries were looking to negotiate trade deals with the US.

His fluctuating trade policies have stirred uncertainty about global assets that saw even traditional safe-haven US Treasury bonds incur sharp declines as investors priced in the likelihood of a global recession.

Analysts also suggested that a weakening of the dollar against the Swiss franc and Japanese yen indicated deteriorating confidence in the US economy.

Markets were watching for any signs that global economies were successfully signing new trade deals during the 90-day pause issued by Trump.

"Nobody knows exactly what the deals with the various countries will look like, how many countries are really willing to make a deal, and within what period of the 90 days this will happen," Commerzbank FX analyst Volkmar Baur said in a note.

"This is not an environment in which I, as a business decision-maker, would want to plan my supply chains for the future." Vietnam's main stock index closed 4.6% higher and the dong inched up 0.2%. A report said the Southeast Asian country, which is heavily dependent on export income, is prepared to crack down on Chinese goods being shipped to the US via its territory.

Taiwan was looking to negotiate an increase in energy imports from the US, while Brazil and Argentina were among the latest looking to engage in trade discussions with Washington.

Investors were also monitoring developments around the International Monetary Fund's discussions about a fourth review of its $2.9bn program with Sri Lanka.

China's first-quarter GDP growth set to slow to 5.1%

Reuters
Beijing

China's economy likely slowed down in the first quarter while 2025 growth is expected to lag last year's pace, a Reuters poll showed, ramping up pressure for more stimulus as surging US tariffs threaten to deal a damaging blow to the Asian giant.

The world's second-largest economy, which got off to a bumpy start this year, is facing one of its biggest challenges to its financial stability and growth as US President Donald Trump ratchets up tariffs on its goods to eye-watering levels.

Gross domestic product growth in the first quarter is forecast at 5.1% year-on-year, slowing from 5.4% in October-December quarter, a Reuters poll of 57 economists showed on Friday.

Growth is likely to slow further to 4.5% in 2025, compared with last year's 5.0% pace, according to the median forecast in the poll, falling short of the official target of around 5.0%.

Underscoring the testing times ahead for business and consumers, economic growth is expected to ease to 4.7% in the second quarter, the poll showed. The outlook darkens further in 2026 with analysts forecasting an even slower rate of growth of 4.2%.

"We see greater chance that domestic stimulus would be brought forward. We reckon that fiscal policies should lead domestic demand expansion amid external shocks," Citi analysts said.

"The near-term focus could be on acceleration of policy implementation," they added, tipping additional funding of 1.5tn yuan ($204.86bn) around mid-year.

Trump announced a 90-day tariff pause on dozens of countries after his rapid-fire duties rocked financial markets, but ratcheted up tariffs on Chinese imports, raising them to an effective rate of 145%.

China has hit back by hiking tariffs on US goods with each increase announced by Trump, raising fears that Beijing may further jack up tariffs above the current 84% in a tit-for-tat trade war that has markets worried about a prolonged trade war between the world's two biggest economies.

The trade spat with the US comes as Chinese policymakers have struggled to revitalise the economy after the Covid-19 slump, as domestic demand remains sluggish due to weak confidence in the face of a years-long property market crisis and renewed deflationary pressure.

Recent data have pointed to an uneven recovery.

A nascent pick-up in retail sales and robust expansion in factory activity have been offset by rising unemployment.

China's consumer prices fell for the second straight month in March while factory-gate deflation worsened, as the escalating US trade war heightened worries about mounting piles of unsold exports that could drive domestic prices even lower.

China has set an ambitious 2025 growth target of "around 5%", though analysts believe it may be increasingly difficult to achieve in the face of hefty US tariffs.

Last week, global ratings agency Fitch downgraded China's sovereign credit rating, citing rapidly rising government debt and risks to public finances, suggesting a tricky balancing act for policymakers seeking to expand consumption to guard against a trade downturn.

On a quarterly basis, the economy is forecast to have expanded 1.4% in the first quarter, slowing from 1.6% in October-December, the poll showed.

The government is due to release first quarter GDP data, along with March activity data, at 0200 GMT on April 16.

In March, China unveiled fiscal measures, including a rise in its annual budget deficit.

Officials have flagged more fiscal and monetary stimulus to cope with rising headwinds.

The Politburo, a top decision-making body of the ruling Communist Party, is expected to hold a meeting later this month to set its policy agenda for the coming months.

The People's Bank of China (PBoC) has repeatedly pledged to cut banks' reserve requirement ratio (RRR) and interest rates at an appropriate time. Analysts polled by Reuters expected the central bank to cut the RRR by at least 25 basis points (bps) in the second quarter, following a 50-basis point cut in September.

The PBoC is expected to cut the one-year loan prime rate (LPR), the benchmark lending rate, by 15 basis points in the second quarter.

Consumer inflation will likely pick up to 0.4% in 2025 from 0.2% in 2024 — well below the government's target of around 2%, and rise further to 1.0% in 2026, the poll showed.

China hits back at Trump tariff hike, US stands its ground

Reuters
Beijing/Washington

Beijing increased its tariffs on US imports to 125% yesterday, hitting back against US President Donald Trump's decision to hike duties on Chinese goods and raising the stakes in a trade war that threatens to up-end global supply chains.

China's retaliation intensified the economic turmoil unleashed by Trump's tariffs, which has seen markets tumbling and foreign leaders puzzling how to respond to the biggest disruption to the world trade order in decades.

US markets opened lower on Friday. The Dow Jones Industrial Average fell 100.2 points at the open, while the S&P 500 fell 12.5 points at the bell.

"Recession risk is much, much higher now than it was a couple weeks ago," said Adam Hetts, global head of multi-asset at Janus Henderson.

The US administration was sticking to its guns on Friday, touting its discussions with a number of countries on new trade deals which it says will justify its dramatic upheaval in policy.

"We are doing really well on our TARIFF POLICY. Very exciting for America, and the World!!! It is moving along quickly," Trump posted on social media yesterday.

However, the tit-for-tat tariff increases by the US and China stand to make goods trade between the world's two largest economies impossible, analysts say. That commerce was worth more than $650bn in 2024.

Global stocks fell, the dollar slid and a sell-off in US government bonds picked up pace on Friday, reigniting fears of fragility in the world's biggest bond market. Gold, a safe haven for investors in times of crisis, scaled a record high.

While announcing a 90-day tariff pause on dozens of countries earlier this week, Trump ratcheted up tariffs on Chinese imports, raising them effectively to 145%.

China hit back with its own new tariffs yesterday, with the finance ministry saying Trump's new tariffs were "completely unilateral bullying and coercion." Beijing indicated that this would be the last time it matched the US, should Trump take his duties any higher. But it left the door open for Beijing to turn to other types of retaliation.

"If the US truly wants to have talks, it should stop its capricious and destructive behavior," Liu Pengyu, spokesperson for the Chinese embassy in the US, wrote on social media yesterday. "For the welfare of the Chinese and the people of the world, for the fairness and justice of the global order, China will never bow to maximum pressure of the US" UBS analysts in a note called China's declaration that it would not retaliate any further with tariff increases "an acknowledgement that trade between the two countries has essentially been completely severed."

US Trade Representative Jamieson Greer said he was not surprised by China's latest countermeasures, but they were "certainly unfortunate." Trump had told reporters at the White House on Thursday that he thought the US could make a deal with China and said he respected Chinese President Xi Jinping. Xi, in his first public remarks on Trump's tariffs, told Spanish Prime Minister Pedro Sanchez during a meeting in Beijing that China and the European Union should "jointly oppose unilateral acts of bullying," in a clear swipe at Trump's tariff policies.

China has signed two agricultural trade protocols with Spain covering pork and cherries as it looks to mend its strained relationship with the EU, the last open major market for its products.

The Trump administration has shrugged off the market turmoil, saying striking deals with other countries would bring certainty.

US trade official Greer said that he will speak to his Israeli and Taiwanese counterparts on Friday about tariffs after holding a long discussion with the Vietnamese earlier.

"I have a full dance card," Greer said in an interview with Fox News.

"There are pieces of paper going back and forth as countries come in and make suggestions about what they can do to have more reciprocal trade with us," he said. "We're looking at those, we're reviewing those, we're communicating with them and giving them ideas."

Meanwhile, India and the US have finalised terms of reference for talks over the first segment of a bilateral trade deal, an Indian trade official said. And Japanese Prime Minister Shigeru Ishiba has set up a trade task force that hopes to visit Washington next week. Vietnam is prepared to crack down on Chinese goods being shipped to the US via its territory in the hope of avoiding tariffs, Reuters exclusively reported.

But all this has done little to soothe business leaders' worries about the fallout from Trump's trade war and its chaotic implementation: soaring costs, falling orders and snarled supply chains.

For European businesses in particular, a stronger euro automatically makes them less competitive in the global market. The euro extended its rise yesterday, reaching its highest in over three years versus the dollar.

Trump's decision for a 90-day suspension on tariffs gave room for only a "fragile pause," French President Emmanuel Macron said on X, partly because "this 90-day pause means 90 days of uncertainty for all our businesses, on both sides of the Atlantic and beyond." EU finance ministers brainstormed on Friday how to use the pause to get a trade deal with Washington, while the bloc's trade commissioner, Maros Sefcovic, will hold talks with US officials on Monday in Washington.

Looking ahead, how tariff chaos will change policymakers' thinking on rate cuts will be the focus when the European Central Bank meets next week.

Corporate earnings reports also pick up steam in the coming days, with markets expecting profit warnings.

Tariffs angst sinks consumer sentiment in US, boosts inflation expectations

Reuters
Washington

Shoppers in Little Rock, Arkansas. US consumer sentiment deteriorated sharply in April and 12-month inflation expectations surged to the highest level since 1981 amid unease over escalating trade tensions that have roiled financial markets and raised the risk of a recession.

US consumer sentiment deteriorated sharply in April and 12-month inflation expectations surged to the highest level since 1981 amid unease over escalating trade tensions that have roiled financial markets and raised the risk of a recession.

The University of Michigan Surveys of Consumers said yesterday that the slump in sentiment to the lowest level in nearly three years was "pervasive and unanimous" across age, income, education, geographic region and political party affiliation.

The jump in inflation expectations poses a dilemma for Federal Reserve officials, who have argued they remain anchored. President Donald Trump this week ratcheted up trade tensions, hiking duties on Chinese goods to 125%, even as he delayed reciprocal tariffs on other trade partners for 90 days.

Beijing on Friday retaliated with a 125% tariff of its own. Trump has maintained a 10% blanket duty on almost all U.S. imports as well as a 25% tariff on motor vehicles, steel and aluminium, leaving businesses and consumers bracing for a burst in inflation.

"Consumers have spiralled from anxious to petrified," said Samuel Tombs, chief US economist at Pantheon Macroeconomics.

The Consumer Sentiment Index dropped to 50.8 this month, the lowest reading since June 2022, from a final reading of 57.0 in March. Economists polled by Reuters had forecast the index falling to 54.5.

The decline in sentiment was more pronounced among Democrats and Independents. Morale was also down among Republicans.

The survey was concluded on April 8, before Trump's latest moves on import duties. Apart from causing apprehension about inflation, the White House's tariffs campaign has wiped out billions of dollars from retirement accounts and heightened uncertainty for businesses, which could hurt the labour market.

The survey showed the share of consumers expecting unemployment to rise in the year ahead increased for the fifth straight month to the highest level since 2009, when the economy was in the midst of the Great Recession.

"This lack of labour market confidence lies in sharp contrast to the past several years, when robust spending was supported primarily by strong labour markets and incomes," said Surveys of Consumers Director Joanne Hsu.

Consumers' 12-month inflation expectations soared to 6.7%, the highest reading since 1981, from 5.0% in March. The jump, which marked four straight months of increases of 0.5 percentage points or more, was across party affiliation.

Over the next five years, consumers saw inflation running at 4.4%. That was the highest level since June 1991 and was up from 4.1% in March.

The persistent rise in inflation expectations could be problematic for US central bank officials.

Some economists expect the Fed to delay resuming cutting interest rates until later this year after pausing its easing cycle in January. Financial markets expect a rate cut in June.

"The rise in long-term inflation expectations should catch the Fed's attention," said Ryan Sweet, chief US economist at Oxford Economics. "Keeping inflation expectations anchored is critical for the Fed and one reason we don't anticipate the central bank cutting interest rates until December." Stocks on Wall Street rose in volatile trade. The dollar slumped to a decade low against the Swiss franc and was the weakest versus the euro in three years. The yield on the benchmark US 10-year Treasury rose and was on track to post the biggest weekly increase in more than 23 years.

Other data from the Labor Department's Bureau of Labor Statistics yesterday showed the producer price index for final demand dropped 0.4% in March, the first decline since October 2023, after an upwardly revised 0.1% gain in February. The data has, however, been superseded by the trade wars.

Economists had forecast the PPI rising 0.2% after a previously reported unchanged reading in February. In the 12 months through March, the PPI increased 2.7% after advancing 3.2% in February.

BP warns of rising debt amid lower output and weak gas trading

Bloomberg
London

BP Plc said debts mounted in the first quarter, yet another setback for the UK energy major as it struggles to turn its finances around.

Net debt climbed about $4bn from the prior quarter, BP said yesterday, citing an increase in working capital.

It also reported lower upstream production and weak gas trading — disappointing for a company pivoting back toward its core fossil-fuel business.

The guidance comes just a few months after BP unveiled plans to refocus on oil and gas and spend less on clean energy amid pressure from activist investor Elliott Investment Management. Since the end of the quarter, turnaround efforts have come under further strain with the oil market upended by US President Donald Trump's aggressive trade policy and Opec+'s move to unleash supply.

BP has fared worse than most peers, its stock tumbling more than 20% since Trump announced new tariffs April 2. Oil's sharp plunge to about $63 a barrel in London puts it in a tough position to bring down borrowings and maintain shareholder returns.

"Given its higher leverage position than peers, we've had more questions on what price BP can sustain its current buyback at than any other company," Biraj Borkhataria, an analyst at RBC Europe, wrote in a note before yesterday's release.

BP saw "slightly higher" volumes in oil production and operations in the first quarter, but lower output in gas and low-carbon energy, the company said in a statement. Its large but opaque trading business, which at times helps the company ride out market weakness, failed to come to the rescue, with a "weak" contribution from gas and "average" for oil.

The working-capital build is "largely expected to reverse", BP said, citing "seasonal inventory effects, timing of payments including annual bonus payments and payments related to low-carbon assets held for sale."

The company reported net debt of $23bn at the end of the fourth quarter, when it also posted a 60% decline in earnings. Its ratio of net-debt to equity was about 40%, far higher than for Shell Plc, TotalEnergies SE, Chevron Corp and Exxon Mobil Corp.

Shortly afterward, Chief Executive Officer Murray Auchincloss announced his strategy "reset".

The shift entails the divestment of $20bn of assets by the end of 2027 to alleviate a stretched balance sheet that's seen BP trim buybacks even as most peers are locking in investor returns.

Turbulence at the company has led to changes at the very top, with the firm announcing a week ago that Chairman Helge Lund will step down "in due course". Lund had been seen to be in a vulnerable position since Bloomberg reported that Elliott had built up a 5% stake with the aim of pushing for change.

BP is scheduled to publish first-quarter results April 29. Its guidance comes four days after rival Shell announced its own preliminary figures for the period. Shell signalled a strong start to the year for oil trading, while gas trading and optimisation results are expected to be in line with the final quarter of 2024.

BP said its lower gas production partly reflected divestments in Egypt and Trinidad that were completed towards the end of last year.

US firms are losing their appeal among Europe's credit investors

Bloomberg
New York

European credit investors are dialling back exposure to the US to recession proof their portfolios as President Donald Trump's unpredictable tariff policy clouds the outlook for the world's biggest economy.

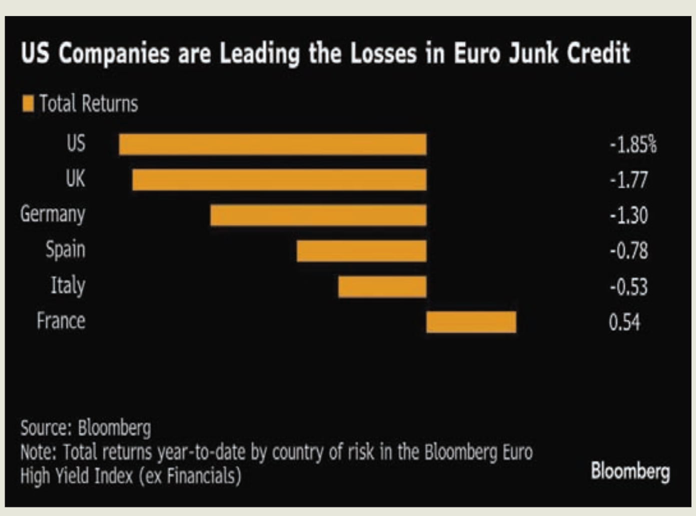
With the risk of a US recession and inflation expectations both remaining elevated, European fixed-income fund managers say they are buying more local European businesses.

They are steering clear of autos, where exposure to American trade and consumer demand is high, and instead retreating into industries such as telecoms, services and utilities that are more domestically-focused and insulated from trade turmoil.

The caution comes in the wake of dramatic market moves after Trump announced a hefty tariff regime and then suspended it on Wednesday. While that de-escalated a global trade war, both the US and China have since upped levies on each other, and the increasingly unpredictable environment is now leading investors to steer clear of the US market.

"The automotive sector is a big sector in European high yield which is exposed to the US and tariffs, and on the other hand there are sectors such as the stronger telecoms names and consumer-oriented firms that would be insulated to the US economy," said Prashant Agarwal, a portfolio manager at Swiss money manager Pictet Asset Management. He said he would still look to rotate into riskier bonds "at the right moment."

Moves in the credit market show he is not alone. US companies are the worst performers among big countries represented in a Bloomberg index of euro-denominated junk credit, down 1.9% year-to-date on a total return basis. That's underperforming the near 1% fall for the broader index.



By contrast, French firms are up 0.5%, while British and German companies — that export heavily to the US — are also suffering.

The moves mirror trends in other assets: US Treasuries are on track for their worst weekly selloff in decades compared with German bonds, while Bank of America Corp is recommending investors short S&P 500 stocks as US exceptionalism turns into "US repudiation."

The macro backdrop in Europe also appears comparatively benign, with the potential for further monetary easing. Governments are ramping up fiscal stimulus via defence and infrastructure investment programs that could buoy domestic demand.

"The inflation situation in Europe is a bit less dire, so you could have some form of monetary stimulus. On top of that, you also have fiscal stimulus through defence," said Raphael Thuin, head of capital market strategies at Tikehau Capital. "But we are not getting too excited because it is a complicated situation."

That view is echoed by Deutsche Bank AG strategists led by Steve Caprio, who argued in a note that stronger future German growth, fiscal stimulus and a plausible path for short-term interest-rate cuts could allow European spreads to trade tighter than in the US. However, they cautioned that there is "no way" Europe can decouple from the US in a world of high tariff barriers, weaker US growth and a likely stronger euro.

Indeed, while European investors may find pockets of protection, the transatlantic linkages run deep — particularly in the high-yield universe, where more than 10% of bonds are issued by US companies and many more have significant US operations.

"As our economist forecasts, the US economy is definitely growing slower than Europe, it could be in recession where Europe may just about avoid one," said Pictet's Agarwal.

Some investors see structural reasons for Europe to hold up better this time around. Man Group Plc notes that Europe's junk bond market has a higher overall credit quality, with riskier Triple C-rated bonds making up just 6.5% of the index compared to 11% in the US.

"Investors in Europe — where factors such as sluggish growth, energy supply issues and proximity to the Russia/Ukraine conflict have been widely signposted — have demanded a sufficient risk premium to support these companies," Man Group wrote. "That's why Europe has been a much happier and more dispersed hunting ground for opportunities."