

Brand Your Business with us

Contact us on
gtdv@gulf-times.com
or 444 666 21

facebook.com/gulftimes
twitter.com/gulftimes_Qatar
instagram.com/gulftimes
youtube.com/GulftimesVideos



OFFICIAL DATA | Page 4

US labour market shows resilience; risks mounting from trade policy

WANT TO
SHOWCASE YOUR
BRAND/SERVICES HERE?

CALL: 444 666 21

Saturday, May 3, 2025
Dhul-Qi'dah 5, 1446 AH

GULF

TIMES

BUSINESS



INFLATION PRESSURE: Page 2

Bank of England could signal faster rate cuts after US tariffs



50 years of legacy!
Open, save and win
Join us for the biggest golden draw.

This Campaign is valid from
9 January 2025 until 30 June 2025
*Terms and conditions apply.

For more information,
please scan the QR Code



البنك التجاري
COMMERCIAL BANK



Qatar gains key strides in cleantech development and implementation

By Peter Alagos
Business Reporter

Qatar has made significant strides in developing and implementing cleantech initiatives aimed at enhancing energy efficiency and optimising resource use, Invest Qatar has stated in a recent report.

The report, ‘Digital Innovation for a Sustainable Future’, was a joint initiative between Invest Qatar and Doha-based Spanish firm, Iberdrola Innovation Middle East, aimed at highlighting the transformative role of digital technologies in advancing energy efficiency, sustainability, and economic diversification.

“Digital technologies like AI, IoT, and smart grids are enhancing energy efficiency and driving the transformation of energy systems around the world. These technologies optimise energy consumption in real-time and improve the overall efficiency and resilience of energy systems.

“The proliferation of digital technologies, including data centres and cloud computing, is driving up energy demand. However, innovations in IT hardware and cooling, as well as a shift towards more efficient cloud and hyperscale data centres, are helping to limit this growth,” the report explained.

Backed by years of technological developments and focus on innovation, Qatar is not only addressing its energy demands but also improving the overall efficiency of end-use applications by harnessing emerging technologies, including smart grid systems, renewable energy sources, and innovative waste management solutions.

“Qatar has advanced cleantech initiatives in the following areas – energy and power generation, construction and urban development, transportation and mobility, and water and waste management – leveraging emerging technologies to improve demand

The report, ‘Digital Innovation for a Sustainable Future’, was a joint initiative between Invest Qatar and Doha-based Spanish firm, Iberdrola Innovation Middle East, aimed at highlighting the transformative role of digital technologies in advancing energy efficiency, sustainability, and economic diversification

and end-use efficiency,” stated the report.

Under the framework of the Qatar National Renewable Energy Strategy (QNRES), the country “aims to increase renewable energy’s share in the power mix from its current 5% to 18% by 2030, with a primary focus on solar PV Technology.”

“Qatar’s LNG CCS project is the largest in the Middle East and sixth globally, and it aims to increase the capacity to capture more than 11Mtpa of CO2 by 2035. Qatar is building the largest blue ammonia plant in the world (\$1bn investment, with 1.2mn tonnes per year output),” the report further noted.

Construction and urban de-

velopment come to the fore as Qatar is ramping up investments in smart city technologies, stated the report, citing the Lusail City project, “which integrates digital infrastructure to enhance urban living.”

The report pointed out: “Msheireb is the world’s first sustainable downtown regeneration project leveraging smart technologies with a 32% energy reduction goal and all buildings targeting LEED Gold certification. Qatar’s National Environment and Climate Change Strategy aims to use 35% of recycled materials in construction projects.”

On transportation and mobility, the report stated: “Qatar’s

Third National Development Strategy (NDS3) aims to build advanced transport infrastructure – increasing utilisation, efficiency and sustainable options like e-mobility and public transport.

“The Ministry of Transport (MoT) Transportation Master Plan for Qatar-2050 aims to implement long-term initiatives contributing to sustainable transportation. Qatar is among the top 10 global markets in electric vehicle readiness.”

It added: “The Qatar Mobility Innovations Centre (QMIC) is the first independent innovations centre in the region focusing on R&D to develop and deploy Intelligent Mobility and Smart Cities platforms and technologies.”

The Ministry of Municipality’s 2024-2030 strategy, which includes plans to adopt the latest smart waste management systems and convert waste into energy, caters to the country’s advancements in cleantech initiatives.

“Qatar’s National Environment and Climate Change Strategy aims to achieve a 15% material recycling and +55% desalination of water from RO (Reverse Osmosis) or more sustainable technology.

“The first GCC country to implement a waste-to-energy programme, Qatar’s Domestic Solid Waste Management Centre (DSWMC) has a state-of-the-art facility with a 1,500 tonnes per day Waste-to-Energy (WTE) incineration plant,” stated the report.

On environmental monitoring and efficiency, the report stated: “Qatar’s NDS3 aims to expand advanced monitoring technologies, for instance, effective monitoring and the enforcement of consistent water quality standards across sources.

“Qatar aims to install over 20 air quality monitoring stations equipped with internationally approved technology. The country also aims to regularly and effectively monitor all water sources, such as groundwater, seawater and potable water.”

Place Vendome attracts new global brands in Q1; sees 64% yearly jump in visitors in 2024

By Santhosh V Perumal
Business Reporter

Qatar’s leading retail and leisure destination Place Vendome, which has seen a robust 64% year-on-year growth in visitors in 2024, concluded a string of new leasing transactions with international brands in the first quarter (Q1) of 2025.

During the past quarter Place Vendome has sealed 18 deals equating to 5,112sq m of space, brands include Dolce & Gabbana Beauty, New Balance, URTH Cafe, Bursa Kebap, Evi, Joe & The Juice, Ray Ban and Hour Choice, diversifying its tenant line-up.

Luxury retail has attracted visitors as Qatar positioned itself as a destination for leisure and retail and the luxury retail sector continues to drive the growth of the retail market in the country.

In addition to these key retail and leisure brands, Place Vendome will also enhance its service offering with the arrival of Al Kharashy Medical Centre, which will open a 613sq m facility in the second quarter (Q2) of 2025.

In the three years since its launch, Place Vendome has cemented its position as Qatar’s most visited luxury retail destination, having attracted 16.5mn visitors during 2024, representing a 64% increase year-on-year.

Shane Eldstrom, chief executive officer of United Developers, said Place Vendome has been experiencing an upturn in leasing activity at the start of 2025 and some positive sentiment emerging from retailers. “This recent tranche of deals underlines Place Vendome’s

growing status as Qatar’s leading retail and leisure destination and we are focused on our mission to accommodate both new and existing brands within our evolving ecosystem,” he added.

Place Vendome, a multibillion Qatari riyal mixed-use development in Lusail City, is a project of United Developers, a group of four Qatari investors who partnered to align their expertise in retail, real estate, construction and contracting. United Developers envision Place Vendome as a groundbreaking example of the entrepreneurship, vision and energy of Qatari commitment to the nation’s development.

The project broke ground on March 17, 2014 and opened its doors to the public on April 15, 2022. The 115mn sq m development hosts two five-star luxury hotels, Le Royal Méridien and Palais Vendome, a Luxury Collection Hotel, Le Royal Méridien Residences, a mall featuring up to 560 different retail outlets with an exclusively luxurious wing dedicated to top designer labels, and a central entertainment component showcasing constant attractions.

The hotels and residences are operated by Marriott International, delivering a luxurious and authentic experience that aligns with the Place Vendome brand.

Qatar’s prime location, combined with the growing luxury retail sector, has made it one of the most sought-after retail destinations, Knight Frank, a London-based global real estate consultancy and estate agency, said, adding mall operators and developers could benefit the most by providing greater choices.

Place Vendome, a multibillion Qatari riyal mixed-use development in Lusail City, sealed 18 deals equating to 5,112sq m of space in Q1.

Easing tariff tensions lifts QSE sentiments as index surges 187 points

By Santhosh V Perumal
Business Reporter

Easing (US) tariff tensions had its influence on the Qatar Stock Exchange (QSE), which closed this week on a higher note with its key index surging as much as 187 points and capitalisation adding more than QR9bn.

A higher than average demand was visible in the banking sector as the 20-stock Qatar Index rose 1.83% this week which saw the QSE-listed companies report a total net profit of QR13.22bn in the first quarter (Q1) of this year.

The domestic funds were seen net buyers this week which saw Qatar’s maritime sector report a double-digit year-on-year vessels arrival in April 2025, resulting in a buoyant growth in container throughput and volumes of building materials and livestock through Hamad, Doha and Al Ruwais ports.

The Gulf institutions’ weakened net selling had its influence on the main bourse this week which saw Industries Qatar report a net profit of QR1bn for the three-month period ended March 31, 2025.

The foreign retail investors’ weakened net profit booking also had its effect on the main bourse this week which saw Gulf International Services (GIS) Q1-2025 net profit at QR222mn.

The foreign institutions continued to be bullish but with lesser vigour in the main market this week which saw a total of 0.06mn AlRayan Bank-sponsored exchange traded fund QATR worth QR0.14mn trade across 45 deals.

The Gulf individuals’ lower net selling had its say in the main bourse this week which saw as many as 0.01mn Doha Bank-sponsored exchange-traded fund QETF valued at QR0.08mn change hands across 14 transactions.

The local retail investors were seen increasingly bearish in the main market this week which saw no trading of sovereign bonds and treasury bills.

The Arab individuals turned net profit takers in the main bourse this week which saw Milaha report net profit of QR374mn in January-March this year.

The Islamic index was seen gaining slower than the other indices of the main market this week, which saw Nakilat’s net

profit at QR433mn in the first three months of this year.

Market capitalisation added QR9.49bn or 1.57% to QR614.98bn on the back of large and midcap segments this week which saw Mesaieed Petrochemical Holding Company (MPHC) report net profit of QR186mn in Q12-205.

WEEKLY REVIEW

Trade turnover and volumes were on the decline in the main market; while the junior market’s trade volume and value shot up considerably this week which saw Qatar Aluminium Manufacturing Company (Qamco), a 50% joint venture partner in Qatalum, register a net profit of QR156mn in the Q1-2025.

The Total Return Index shot up 1.83%, the All Islamic Index by 1.12% and the All Share Index by 1.78% this week which saw the industrials and banking sectors together constitute about 56% of the total trade volumes.

The banks and financial services sector surged 2.86%, insurance (1.73%), telecom (1.12%), industrials (0.99%) and transport

(0.73%); while real estate declined 1.21% and consumer goods and services 0.65% this week which saw the Qatar Financial Centre Regulatory Authority issue proposals on market risks for conventional and Islamic banks.

Major movers in the main market included Qatar General Insurance and Reinsurance, Leshia Bank, Commercial Bank, GIS, Qatar Electricity and Water, QNB, Qatar Islamic Bank, Doha Bank, AlRayan Bank, Salam International Investment, Qamco, Beema and Vodafone Qatar this week.

Nevertheless, about 55% of the traded constituents in the main bourse were in the red with major losers being Al Faleh Educational Holding, Al Mahhar Holding, Al Khaleej Takaful, United Development Company, Aamal, Medicare Group, Widam, Meeza, Estithmar Holding, QLM, Ezdan and Gulf Warehousing. In the venture market, Techno Q saw its shares depreciate in value this week.

The domestic institutions turned net buyers to the tune of QR14.98mn compared with net sellers of QR38.1mn the week ended April 24.

The Gulf institutions’ net profit booking declined substantially to QR3.91mn against

QR20.62mn the previous week. The foreign individual investors’ net selling weakened perceptibly to QR1.3mn compared to QR8.23mn a week ago.

The Gulf retail investors’ net profit booking eased marginally to QR3.77mn against QR4.76mn the week ended April 24.

However, the Qatari individuals’ net selling strengthened markedly to QR91.98mn compared to QR84.39mn the previous week.

The Arab retail investors were net sellers to the extent of QR23.15mn against net buyers of QR1.99mn a week ago.

The foreign funds’ net buying decreased noticeably to QR109.19mn compared to QR154.17mn the week ended April 24.

The Arab institutions had no major net exposure against net profit takers to the tune of QR0.06mn the previous week.

The main market saw 15% plunge in trade volumes to 933.45mn shares, 6% in value to QR2.09bn and 7% in deals to 100,458 this week.

In the venture market, trade volumes more than tripled to 0.14mn equities and value also more than tripled to QR0.39mn on more than doubled transactions to 45.

Large AI projects present \$1.8tn capital pool for private credit

Bloomberg
London

The artificial intelligence (AI) boom is driving business to private credit firms, as tech companies seek funding to build data centres filled with computing chips to operate AI models.

Carlyle Group Inc expects more than \$1.8tn of capital will be deployed by 2030 to meet that demand, and a chunk of that can be taken up by the private markets, Chief Executive Officer Harvey Schwartz recently wrote in a shareholder letter.

“There’s a need for private credit to facilitate the infrastructure build for AI, whether it’s chips or data centre developments,” Mark Van Zandt, managing director and co-head of real estate at King Street Capital Management, said in an interview.

Public-market products like asset-backed bonds or traditional real estate debt, have funded data centre projects, but these “can’t do it all,” he added.

A slew of tech companies have already

tapped private capital — both private equity and debt — to help build the physical infrastructure needed to support AI.

Startup Nscale is looking for \$2.7bn, including a \$1.8bn private credit loan, on the back of a pending ByteDance Ltd partnership. SoftBank Group Corp has sought a \$16.5bn loan to fund such investments in the US.

Meta Platforms Inc is looking to raise billions in financing to develop data centres domestically, with Apollo Global Management Inc and KKR & Co as potential investors.

Private lenders have been searching for avenues outside of traditional corporate lending for growth and tap into areas of credit that can come with higher ratings. Financing AI infrastructure is one of those paths, according to market participants.

For more coverage of private markets, subscribe to the Going Private Newsletter

Apollo, for example, has been beefing up its infrastructure-related talent. The firm recently hired Abhishek Sharma, most recently head of energy strategy for Amazon.com Inc’s AWS division, as

a managing director within high-grade capital solutions. Ares Management Corp has estimated private investors could fund about \$5.5tn of capital across debt and equity in global infrastructure, including AI-focused projects, through 2035, according to a report this year.

Cloud computing firms, and tech companies generally looking to develop AI programs, need an immense amount of capital. That can come in the form of investment-grade loans backed by micro-chips or data centre leases with contracts tied to companies with top-tier credit scores.

“The capital needs are enormous,” Van Zandt said. “There’s a demand-supply imbalance in the market that will take some time to get resolved.”

Wall Street banks also want to be involved in these types of deals, and some are asking private capital funds to partner up. Morgan Stanley, for instance, has held talks with private credit firms to understand how they could team up on AI deals.

Still, some asset managers, including Diameter Capital Partners, are sceptical

of just how much money is flowing into AI developments and are ready to pounce on any financial fallout. Capital markets firm Seaport Global Securities also recently warned that the benefit of AI has been “priced in for now”, adding budgets dedicated to the sector are likely to slow next year.

“AI is now at the early stage where resources are scarce and money is flowing to almost all opportunities with little regard for long-term prospects,” Diameter co-founders, Scott Goodwin and Jonathan Lewinsohn, wrote in a letter earlier this year. Private credit lenders are in talks to provide about \$1bn of debt to support a potential take-private of Swedish financial services firm Fortnox AB.

Ares has begun reaching out to other lenders to participate in a \$5.5bn financing to support Clearlake Capital Group’s buyout of Dun & Bradstreet Holdings Inc in what would be one of the largest private credit deals ever arranged.

Apollo and other investors have bought the first known bonds that offload risk from bank loans extended to private credit

funds known as business development companies.

KKR Capital Markets has fully underwritten a \$250mn-equivalent debt financing backing KKR & Co’s offer for Bi-otage AB. Hillhouse Investment’s China logistics platform Gaolu Group is seeking \$100mn in private credit to fund acquisitions of assets.

Private credit lenders including Intermediate Capital Group Plc, Goldman Sachs Asset Management and the direct-lending unit of JPMorgan Chase & Co are among firms in early-stage talks to provide roughly €1.6bn to refinance the debt of Belgian drugmaker SERB Pharmaceuticals. Goldman Sachs’ private credit fund tapped the US high-grade bond market on Tuesday.

Apera Asset Management, a direct lender for lower middle market companies in Europe, has raised €2.9bn for its latest fund. Mubadala Investment Company, an Abu Dhabi sovereign wealth fund, agreed to invest \$1bn in private credit and other strategies managed by Fortress Investment Group.

Apple expects \$900mn tariff hit, US iPhone supply shifts to India

AFP
San Francisco

Apple on Thursday reported first-quarter profit above expectations but warned that US tariffs could cost the company and were disrupting its supply chain.

Apple expects US tariffs to cost \$900mn in the current quarter, even though their impact was “limited” at the start of this year, chief executive Tim Cook said on an earnings call.

Cook said he expected “a majority of iPhones sold in the US will have India as their country of origin,” adding that Apple’s products were exempt from Trump’s most severe reciprocal tariffs for now.

“We are not able to precisely estimate the impact of tariffs, as we are uncertain of potential future actions prior to the end of the quarter,” Cook said.

“Assuming the current global tariff rates, policies and applications do not change for the balance of the quarter and no new tariffs are added, we estimate the impact to add \$900mn to our costs.”

Tit-for-tat exchanges have seen hefty US levies imposed on China, with Beijing setting retaliatory barriers on US imports.

High-end tech goods such as smartphones, semiconductors and computers received a temporary reprieve from US tariffs.

Although completed smartphones are exempted from Trump’s tariffs for now, not all components that go into Apple devices are spared, said independent tech analyst Rob Enderle.

“The more components are crossing borders, the most cost flows through to the device,” Enderle explained.

“In the end, this all adds up to an expensive mess,” he said of the tariff situation.

Canalys research manager Le Xuan Chiew said Apple built up inventory ahead of the tariffs going into effect.

“With ongoing fluctuations in reciprocal tariff policies, Apple is likely to further shift US-bound production to India to reduce exposure to future risks,” he said.

While iPhones produced in mainland China still account for the majority of US shipments, production in India ramped up toward the end of the quarter, according to Canalys.

Cook said Vietnam would be the country of origin for almost all iPad, Mac, Apple Watch and AirPods products sold in the US.

China will continue to be where most Apple products are made for sale outside the US, he insisted.

“What we learned some time ago was that having everything in one location had too much risk with it and so we have, over time with certain parts of the supply chain, opened up new sources of supply,” Cook told analysts.

“You could see that kind of thing continuing in the future.”

— Sales slip in China -Apple’s revenue of \$95.4bn in the recently ended quarter was driven by iPhone sales, with the company reporting \$24.8bn profit for the quarter.

“Apple saw strong growth in the Americas and Japan,” said CFRA Research equity analyst Angelo Zino, noting part of the reason could have been ramped up orders to get ahead of US tariffs.

“China revenue declined 3%, but the hope was for growth as subsidies were put in place to help stimulate demand in the region.” Apple shares were down more than 3% in after-market trading.

“The real story is in Tim Cook’s plans to navigate these unprecedented trade challenges,” said Emarketer analyst Jacob Bourne.

Apple’s plan to shift manufacturing to India “raises pressing questions about execution timeline, capacity limitations, and potentially unavoidable cost increases that will shrink margins, be passed to consumers, or have a mix of consequences,” Bourne added.

Bank of England could signal faster rate cuts after Trump tariffs

Reuters
London

The Bank of England (BoE) is expected to lower interest rates by a quarter point on May 8 as US President Donald Trump’s tariffs darken the global growth outlook, and some economists think the BoE will soon need to speed up its gradual approach to rate cuts.

BoE Governor Andrew Bailey, speaking in Washington last week after the International Monetary Fund downgraded UK and global growth prospects, said he was taking “very seriously” the risks posed by Trump’s tariffs.

A gauge of British private-sector activity sank in April to its lowest since the turmoil caused by former Prime Minister Liz Truss’ budget plans in late 2022, while US output has fallen for the first time in three years.

Until now the BoE’s Monetary Policy Committee has taken what it calls a “gradual and careful” approach — cutting rates only three times since August 2024 — due to inflation pressures including strong wage growth.

This should now change, Rob Wood, chief UK economist at consultancy Pantheon Macroeconomics, said.

“The MPC will conclude that the economy was doing fine before tariffs, and probably warranted only very gradual cuts. But Donald Trump’s tariff fandango is going to sap growth, slow inflation a bit faster and justify earlier and slightly more interest rate cuts,” Wood predicted.

Economists polled by Reuters expect quarter-point rate cuts by the BoE every three months — taking interest rates to 3.75% by the end of the year from 4.5%



The Bank of England building in London's financial district. BoE is expected to lower interest rates by a quarter point on May 8 as US President Donald Trump’s tariffs darken the global growth outlook, and some economists think the BoE will soon need to speed up its gradual approach to rate cuts.

now — while financial markets see rates falling slightly further to 3.5%. Wood expects back-to-back rate cuts in May and June — the first such move by the BoE since 2020.

“That’s insurance against Donald Trump’s erratic behaviour,” he said. Some MPC members may be reluctant to step up the pace.

Consumer price inflation was lower than forecast at 2.6% in March but remained well above the BoE’s 2% target and economists expect it rose above 3% in April on higher energy tariffs.

Annual wage growth of nearly 6% is roughly double what the BoE views as consistent with 2% inflation and measures of businesses’ and the public’s expectations for future inflation are also high. However, Megan Greene — a hawkish MPC member — said last

week she believed Trump’s tariffs would lower inflation.

Britain has not imposed tariffs on the US and could receive a glut of European and Chinese goods that are no longer cost-effective to sell in the US.

Surveys of UK businesses have shown a sharp fall in hiring, which companies say reflects higher employer taxes and an increased minimum wage as well as the international turmoil. This could ultimately dampen wage growth.

UBS economist Anna Titareva said lower energy prices and a rise in sterling would prompt the central bank to lower its CPI forecasts for the ends of 2025 and 2026 by about 0.3 percentage points to 3.2% and 2.1% respectively.

Cuts to the growth forecast are more likely for 2026 than for 2025, economists said. The BoE’s Feb-

ruary forecast of 0.75% growth for this year was at the low end of predictions and the economy was stronger than expected at the end of 2024 and early in 2025. In its deliberations, the BoE will place more emphasis on alternative scenarios following suggestions last year from former Fed chair Ben Bernanke which could help it reflect the uncertainty over US policy.

If the BoE focused heavily on the possibility of prolonged disruption from tariffs, that could be a signal that it will consider cutting rates in June as well as May, Wood said. HSBC economist Liz Martins said the BoE might also adjust its “gradual and careful” language about rate cuts.

“Carefulness cuts both ways. There is a risk of doing too little, as well as a risk of doing too much,” she said.

Foreign funds sour on US corporate bonds as Trump sows chaos

Bloomberg
New York

European and Asian money managers are showing signs of losing some of their appetite for lending to US companies as trade wars heat up, in a potentially worrying sign for corporate America.

Investors outside the US turned into net sellers of corporate debt in the first half of April, after US President Donald Trump announced the highest tariffs on foreign countries in more than a century.

That’s according to data tracking direct flows compiled by Goldman Sachs Group Inc strategists including Lotfi Karoui.

The selling comes after overseas investors made record purchases of US corporate debt in 2024. Official data shows the demand slowing in February, according to Citigroup.

There are signs of foreign investors selling US assets broadly. Data showing flows into funds that take money from overseas and buy US

stocks and bonds shows a sharp drop in purchases over the past two months, according to a note from George Saravelos, Deutsche Bank’s head of foreign exchange strategy, on Monday.

At least some foreign investors are guarded about jumping back into US credit after April’s roller-coaster ride.

“We have to be a little more cautious” about US credit, said Kenichi Kuga, a senior general manager at Japan Post Insurance Co’s global credit investment department, which had about ¥4.2tn (\$29bn) of foreign debt holdings at the end of 2024.

“The US credit market seems to have been slow to price in risks, compared with declines and volatility in equities.”

It’s not yet clear that there’s a massive structural shift in foreign demand, but some investors believe that the US itself is probably going to take the biggest economic hit from Trump’s policy steps, Goldman Sachs’s Karoui said.

In early April, Trump’s proposed tariffs hit security prices worldwide, including US corporate



debt, Treasuries and stocks. Prices broadly recovered after the US president paused the proposed increases and talked about negotiating agreements with individual nations.

Around 30% of US corporate bonds are owned by foreign investors, according to economist Torsten Slok at Apollo Global Management Inc. If those buyers continue

pulling back, and US money managers don’t step in to make up the difference, risk premiums on the debt will have to widen, said Hans Mikkelsen, a credit strategist at TD Securities.

“Some of the rhetoric out of Washington towards foreigners, and the fact that the US imposed massive tariffs on basically all countries — that alone can lead to a

decision to maybe not put all your eggs in one basket,” Mikkelsen said.

For asset allocators outside the US, the relative-value math involves comparing yields on domestic corporate notes with debt abroad, and then adding the cost of hedging their US investments back into their home currency.

In Japan, that calculus works out in favour of domestic corporate credit, according to JPMorgan strategists Eric Bernstein and Nathaniel Rosenbaum. Hedging costs may have come down, but Japanese government bond yields have risen significantly this year, touching highs not seen in more than a decade. The growing riskiness in US corporate bonds can make credit look comparatively less interesting.

“Credit markets usually aren’t this volatile,” said Tetsuji Saito, a portfolio manager at Gunma Bank Ltd in Japan. “We’re watching spreads, but it’s a hard market to enter right now with US rates moving so sharply.”

In Europe, hedging costs have surged, recently touching their

highest since March 2023. They are expected to edge even higher as the Federal Reserve and the European Central Bank continue on divergent interest-rate paths, the JPMorgan strategists said.

Asset managers on the continent have been dialling back their exposure to US credit in part as a result.

To be sure, many investors have global mandates, which means they will continue to buy US corporate debt even if they pare back. Demand has also remained strong for newly issued bonds in the US, suggesting broad appetite for the asset class.

For now, foreign investors appear to be on the fence about the US corporate bond market, said Goldman Sachs’ Karoui, whose been meeting investors in Asia and Europe in recent weeks.

“It’s a very hard to invest in this environment,” said Karoui in an interview. “What will matter for the next two to three months is really assessing the magnitude of the damage that was done to the economy from this significant dose of uncertainty.”



CORPORATE RESULTS

ExxonMobil profits dip on lower crude prices, refining margins



ExxonMobil reported lower profits yesterday due to a drop in crude oil prices and refining margins partly offset by increased output from the acquisition of US producer Pioneer. The petroleum giant reported profits of \$7.7bn in the first quarter, down 6.2% from the year-ago level. Revenues were essentially flat at \$83.1bn.

The purchase of Pioneer Natural Resources for around \$60bn boosted ExxonMobil's volumes from the Permian Basin, a fast-growing petroleum region in the southwestern US. ExxonMobil also saw petroleum production growth in Guyana, which helped to compensate for headwinds in the first quarter, including "significantly weaker" refining margins, the company said in a press release.

ExxonMobil said it is on track to start up 10 "advantaged projects" across its businesses in 2025.

From this group, the company has already started and is ramping production at an "enormous" chemical complex in China that will serve the domestic market and will be "protected from tariff impacts," ExxonMobil vice-president Jim Chapman said in prepared remarks for the company's conference call.

ExxonMobil has also launched an advanced recycling unit in Baytown, Texas.

The oil giant said its commitment to cost controls means it will do well even if the economy weakens.

Apollo Global

Apollo Global reported a 5% jump in first-quarter profit on Friday, boosted by higher fees from asset management and capital solutions such as debt and equity underwriting. The alternative asset manager took in \$43bn of inflows. Assets under management grew 17% to \$785bn, bringing the company closer to its target of managing \$1tn by 2026 and \$1.5tn by 2029.

The results come at a crucial juncture for the industry, as investors contend with the most turbulent economic environment in years. Volatility triggered by US President Donald Trump's tariffs has rattled markets globally and made it tougher for asset managers to exit investments.

However, firms like Apollo can earn millions in management fees from the portfolio of assets they manage, providing a key source of stability. Advising and assisting companies with capital markets activities — such as raising debt and equity — can also yield significant fees.

Apollo's fee-related earnings, a profitability metric for its asset management segment, rose 21% to \$559mn. Spread-related earnings, which assess the performance of its retirement services unit, dipped 1.6% to \$804mn. But the company had \$64bn of unspent capital at the end of the quarter, which could position it to capitalise on the current uncertainty

and snap up assets at a bargain price.

CEO Marc Rowan said Apollo was well positioned to navigate the "volatility and dislocation" thanks to a robust pipeline and the capital it has available for investments.

The company also reported \$56bn in origination volume. It has previously said that origination — the process of identifying high-quality credit financing opportunities — would be a core growth driver in its next phase.

KKR

KKR's first-quarter profit rose nearly 20% on higher fees and the investment firm said it was ready to put its \$116bn of capital to use as market volatility creates fresh opportunities. The results reflect the structural advantage held by large alternative asset managers, which can generate hundreds of millions in management fees even when asset sales are muted.

While a slowdown in dealmaking may limit exit opportunities, investment firms are often able to secure valuable assets at a discounted price during these times.

"Volatility can yield attractive investment opportunities, and we're encouraged by our positioning given our global footprint," co-CEOs Joseph Bae and Scott Nuttall said.

The company's adjusted net income was \$1.03bn for the three months ended March 31. On a per-share basis, it earned \$1.15, in line with analysts' expectation, according to estimates compiled by LSEG.

Shares rose 1.6% to \$116.09 before the bell. They have fallen 23% this year, compared with a 5% drop in the S&P 500 index. The results come at an anxious time for markets, with several executives warning that rapidly changing tariffs could squeeze mergers and acquisitions.

Data released on Wednesday showed the US economy contracted for the first time in three years in the first quarter, potentially adding to the strain.

BASF

German chemicals giant BASF stuck to its 2025 earnings outlook yesterday, despite the turmoil unleashed by headline US trade policies, but warned of high levels of uncertainty.

The company, a crucial supplier for the automobile, agriculture and construction sectors, said it was "more resilient than others" when it came to US tariffs due to its focus on producing locally.

In the US, more than 80% of the group's sales came from products manufactured in the country, it said. But the group warned: "The volatility of the tariff announcements and the unpredictability of other decisions by the US, as well as possible countermeasures by trading partners, are causing a high level of uncertainty," Chief financial officer Dirk Elvermann said BASF had to consider indirect

impacts of tariffs due to potential changes in demand in industries such as automotive and consumer goods.

It was currently hard to assess the full impact, he added.

Despite the uncertainty, BASF maintained its outlook for 2025, forecasting earnings before special items (EBITDA) of between 8.0bn and 8.4bn euros (\$9.1bn and \$9.5bn) for 2025. US President Donald Trump has unleashed a barrage of tariffs on allies and adversaries alike.

Apart from China, the highest levies have been paused for now to allow for talks with trading partners — but a baseline 10% tariff is still in effect.

BASF also reported on Friday a 40% fall in first quarter net profit to 808mn euros. The group blamed the drop, which was slightly worse than expected, on rising competition.

CVS Health

CVS Health raised its full-year profit forecast on Thursday following strong performance across its businesses, signalling that the healthcare conglomerate was on a path to recovery after a series of challenges last year.

Shares of the company jumped 8.5% to \$72.35 in premarket trading after CVS raised its 2025 adjusted profit forecast to \$6 to \$6.20 per share from \$5.75 to \$6 previously.

The shares fell over 40% last year due to weak performance in the company's insurance and pharmacy businesses and multiple cuts to its profit outlook, but have pared most of those losses this year following a better-than-expected earnings report in February.

CEO David Joyner, who took the helm in October, has laid out cost-cutting plans and reshuffled the top management to help the company navigate one of the most challenging periods in its six-decade history.

CVS Health on Thursday reported its first-quarter adjusted profit above estimates, helped by lower-than-expected medical costs, a likely relief for investors after industry bellwether UnitedHealth cut its forecast last month, citing elevated costs.

Revenue from CVS' pharmacy unit of \$31.91bn beat estimates of \$30.96bn. Its health services unit brought in revenue of \$43.46bn, also above estimates of \$43.30bn.

Rolls-Royce

British engine-maker Rolls-Royce said on Thursday it was confident about meeting its 2025 profit targets despite the uncertainty caused by US tariffs.

The US has imposed sweeping tariffs on its major trading partners, along with targeted levies on specific sectors, which threaten to stall global growth as businesses and consumers hold back on purchases.

"We expect to offset the impact of announced tariffs on our business through the mitigating actions we are taking," chief executive Tufan Erginbilgic said in a statement ahead of the company's annual general meeting.

"We are closely monitoring the potential indirect impact on economic growth and inflation, and will continue to take the necessary actions," he added.

Rolls-Royce, which supplies engines to the world's biggest aircraft manufacturers Airbus and Boeing, has undergone a major turnaround since Erginbilgic took the helm in 2023.

"Our transformation of Rolls-Royce is progressing strongly and we continue to expand the earnings and cash potential of the business," he said.

For 2025, Rolls-Royce said it is on track to deliver an underlying operating profit of between £2.7bn (\$3.6bn) and £2.9bn.

Microsoft

Technology giant Microsoft posted robust quarterly results on Wednesday, with revenue rising 13% to \$70.1bn, powered by a strong performance in its cloud computing and artificial intelligence businesses.

The results, which solidly beat analyst expectations, drove Microsoft's share price more than 8% higher in after-hours trading.

The Redmond, Washington-based company also allayed worries that it would suffer due to the high tariff policies of President Donald Trump's administration, offering a good outlook for the ongoing quarter.

Microsoft has remained more discreet in its support for Trump than its rivals, many of which contributed money to the president's inauguration fund and announced major investments in the US.

The company, which celebrates its 50th anniversary this year, saw net profits climb 18% to \$25.8bn, compared to the same period last year.

Crucially, Microsoft Cloud revenue reached \$42.4bn, growing 20% year-over-year, which Chief Financial Officer Amy Hood attributed to "continued demand for our differentiated offerings." Microsoft was one of the first tech giants to double down on artificial intelligence when the launch of ChatGPT in 2022 rocked the tech industry.

Like its rivals, it has spent massively on building the infrastructure necessary to power the AI revolution, with analysts keeping a close eye on the return on investment.

The company in January said it was on track to pump about \$80bn into capital and infrastructure this fiscal year.

But CEO Satya Nadella said that even if "I feel very, very good about the pace" of investments, the company was always tweaking its spending.

Meta

Tech giant Meta on Wednesday reported quarterly profits that were well above expectations, brushing aside market worries that its heavy investments in cloud computing and artificial intelligence would hamper growth.

The company reported a \$16.6bn profit in the first three months of the year on revenue of \$42.3bn, with business spending on ads remaining strong.

Shares in the social media giant — which owns Facebook, Instagram and WhatsApp — rose more than 4% in after-market trades.

"We've had a strong start to an important year, our community continues to grow and our business is performing very well," said Meta chief executive Mark Zuckerberg.

"We're making good progress on AI glasses and Meta AI, which now has almost 1bn monthly actives." Meta this week unveiled its first standalone AI assistant app, challenging ChatGPT by giving users a direct path to its generative AI models.

Zuckerberg said in an Instagram video post that the app "is designed to be your personal AI" and could be primarily accessed through voice conversations, with the interactions personalised to the individual user.

Meta is putting AI to work throughout its

platforms, from creating and targeting ads to recommending content for users, according to Zuckerberg.

The earnings also come in the wake of significant shifts in Meta's content policies that are apparently intended to endear the company to US President Donald Trump, including the termination of its US fact-checking operation on Facebook.

"Meta robust earnings show that the company's advertising business remained healthy in Q1, proof that the controversial ending of its fact-checking program hasn't done much to deter advertisers," said Emarketer analyst Minda Smiley.

Meta's first-quarter earnings came "before the economic turmoil really kicked in and before the seaway of the tariffs began," and China-based advertisers like Temu and Shein cut ad spending, said Sonata Insights chief analyst Debra Aho Williamson.

Shell

British energy giant Shell yesterday reported a sharp drop in first-quarter net profit as it was hit by weaker oil prices but pushed ahead with shareholder returns.

Profit attributable to shareholders fell 35% to \$4.8bn in the first quarter of 2025 from a year earlier, Shell said in an earnings statement.

Total revenue dropped six percent to \$70.2bn. Shell and other oil majors have been hit by a recent slump in crude prices on fears that US President Donald Trump's tariffs could cause a slowdown in the global economy, impacting demand.

But the company did manage to beat analysts' expectations and announced sizeable shareholder payouts.

Chief executive Wael Sawan said the results gave Shell "confidence to commence another \$3.5bn of buybacks for the next three months."

Shares in the company rose more than three percent in morning deals on London's FTSE 100 index, which was trading higher overall.

"Shell's one of the best-equipped oil majors to deal with a low-pricing environment and should be able to sustain that level of payouts as long as oil doesn't dip below \$60 for a prolonged period," said Derren Nathan, head of equity research at Hargreaves Lansdown.

Shell was also impacted by weakening oil prices in 2024, with annual net profit falling 17 percent.

The recent drop in oil prices comes after the company scaled back various climate objectives, along with rival BP, to focus more on oil and gas to raise profits.

Last year it announced it would no longer lead development of new offshore wind projects. Greenpeace UK senior climate advisor Charlie Kronick responded to the company's results, calling for carbon polluters to pay to "make Britain more resilient against the climate crisis Shell is fuelling."



AT YOUR SERVICE



AUTO - TYRES / BATTERIES / LUBE - CHANGING

METRO CITY TRADING W.L.L | Cars, 4x4, Pickups, Buses, Trucks, Forklifts
Street No. 28, Wakaleth Street, Ind. Area, M: 33243356, T: 44366833, www.metrocityqatar.com



BUS RENTAL / HIRE

Q MASTER W.L.L. 15/26/30/65 Seater Buses with / W-out Driver
Contact # 55853618, 55861541 (24 Hours) F: 44425610 Em: qataroffice@yahoo.com

THOUSANDS TRANSPORT 60/67 Seated A/C non AC Buses w/ w-out driver
T: 4418 0042...F: 4418 0042...M: 5587 5266...Em: sales@thousandstransport.com

TRAVELLER TRANSPORT - 13/22/26/36/66 Seater Bus With & Without Driver.
Tel: 44513283 Mob: 30777432 / 55899097, Email: info@travellertransport.com

HIPOWER TRANSPORT: 13/22/26/66 Seater Buses & Pickups with & without driver.
Tel: 4468 1056, Mob: 5581 1381, 7049 5406, Em: hipoower@safarigroup.net



CARGO SERVICES

GOODWILL CARGO Air, Sea & Land Cargo Services Worldwide Door to Door
Packing & Moving T: 4462 6549, 4487 8448 M: 3318 8200, 3311 2400...Em: sales@goodwillcargopqatar.com



CAR HIRE

AL MUFTAH RENT-A-CAR Main office D-Ring Rd. T: 4463 4444, 4401 0700
Airport 4463 4433, Al Khor 4411 3344...Leasing 5369 1334...Em: reservations@rentacardoha.com...www.rentacardoha.com

AL SAAD RENT A CAR Head Office-Bldg: 242, C-Ring Road T: 4444 9300
Branch-Barwa village, Bldg #17, shop #19.....T: 4415 4414, ...M: 3301 3547

AVIS RENT A CAR Al Nasr Holding Co. Building, Bldg. 84, St. 820, Zone 40
T: 4466 7744 F: 4465 7626 Airport T: 4010 8887 Em: avis@qatar.net.qa, www.avisqatar.com

THOUSANDS RENT A CAR
Bldg No 3, Al Andalus Compound, D-ring Rd..T. 44423560, 44423562 M: 5551 4510 F: 44423561

BUDGET RENT A CAR Competitive rates for car rental & leasing
Main Office T: 4432 5500...M: 6697 1703. Toll Free: 800 4627, Em: info@budgetqatar.com



CLEANING

CAPITAL CLEANING CO. W.L.L All type of Cleaning Services-Reasonable Rates
T: 44582257, 44582546 F: 44582529 M: 33189899 Em: capitalcleaningwll@gmail.com



ISO / HACCP CONSULTANTS

QATAR DESIGN CONSORTIUM - ISO 9001, 14001, 45001, 39001, 27001, 22301, 41001, etc.
T: 4419 1777 F: 4443 3873 M: 5540 6516Em: jenson@qdcqatar.net



IT-CONSULTANCY

TECHNOLOGY CONSULTANT LLC | Lic. by QFZ Authority, Project baselines, claims, AI-integrated EOT analysis with Primavera, & reports via PowerBI, SQL & AI Analytics. M: 55032892, E: service@taft-project.com



IT - DOMAIN & HOSTING

ROUTEDGE W.L.L Register .QA, .COM.QA and .NET.QA from ACCREDITED Domain Registrar. M: 66703103, T: 400125 01, www.ROUTEDGE.NET.QA



PEST CONTROL & CLEANING

QATAR PEST CONTROL COMPANY
T: 44222888 M: 55517254, 66590617 F: 44368727, Em:qatarpest@qatar.net.qa

STAR CITY PEST CONTROL & CLEANING (Anti Termite Treatment)
T: 44502416, M: 50680005, E: info@starcity.qa, W: www.starcity.qa



REAL ESTATE

AL MUFTAH GENERAL SERVICES www.rentacardoha.com
T: 4463 4444/ 4401 0700...M: 5554 2067, 5582 3100...Em:reservations@rentacardoha.com



AT YOUR SERVICE

DAILY FOR THREE MONTHS

Updated on 1st & 16th of Every Month

Japan says massive Treasury stockpile among tools for US trade talks

Reuters
Tokyo

Japan could use its \$1tn-plus holdings of US Treasuries as a card in trade talks with Washington, its finance minister said yesterday, raising explicitly for the first time its leverage as a massive creditor to the US.

While Finance Minister Katsunobu Kato did not threaten to sell holdings, his remarks touch on a critical concern global investors have about what Japan and China, the two largest owners of US government debt, might do in seeking tariff concessions from the Trump administration.

The Treasury market saw a huge global sell-off last month after US President Donald Trump's decision on April 2 to slap sweeping tariffs on trading partners, including key strategic allies such as Japan.

Kato said in a television interview the primary purpose of Japan's US Treasury holdings — the largest in the world — is to ensure it has sufficient liquidity to con-

duct yen intervention when necessary. "But we obviously need to put all cards on the table in negotiations. It could be among such cards," he said when asked whether Japan, in trade talks with the US, could reassure Washington it will not sell its Treasury holdings in the market.

"Whether we actually use that card, however, is a different question," Kato added.

The US Treasury Department did not immediately respond to Reuters' request for comment outside of office hours.

Kato's remarks contrast with those he made last month, when he ruled out using Japan's US Treasury holdings in trade negotiations.

Yesterday, Kato declined to comment on whether Tokyo's US bond holdings came up in his bilateral meeting with Treasury Secretary Scott Bessent last week.

However, he said the huge market sell-off in Treasuries in April likely affected Washington's approach in talks with Japan.

Japan's and China's presence in the

Treasury market makes them a huge point of attention whenever US yields spike, although little is known about their trading activity.

While Japan, as a close US ally, is seen as less likely to use its Treasury holdings as a bargaining tool, some analysts speculate that China may liquidate its holdings as a "nuclear" option as trade tensions with the US escalate.

So far, there are few signs of such a sell-off. Foreign holdings of US Treasuries rose 3.4% in February, data from the Treasury Department showed last month, with the two largest owners, Japan and China, building up their US debt positions.

But even hints of their huge market presence could be a key weapon for Japan, which otherwise has little leverage due to its economy's huge reliance on the US car market.

"Playing the card early, while the US bond market is in the minds of the administration after recent weeks, is a smart move," said Martin Whetton, head of financial markets strategy at Westpac in

Sydney. "They don't have to do anything. But they can put themselves in a solid position to negotiate. It is, after all, the art of the deal." Japan's top trade negotiator, Ryosei Akazawa, said he deepened talks on trade, non-tariff measures and economic security cooperation in his second round of talks with Bessent in Washington on Thursday. He also said the two sides hoped to hold their next meeting in mid-May.

The US Treasury sell-off in April was among factors that led Trump to announce a 90-day pause on his "reciprocal" tariff plan, with Bessent likely playing a key role, according to sources close to the White House.

Aside from the tariffs, Japan has also faced criticism from Trump that it was intentionally weakening the yen to give its exports a trade advantage — an accusation Tokyo denies.

Kato said his meeting with Bessent last week did not discuss any desirable exchange rate or a possible framework to control currency moves.

Analysts say Japan's huge Treasury

holdings can also be used as a bargaining tool in any differences Washington has with Tokyo over currencies.

"(It) should be a card if not an ace card for the negotiation," said Naka Matsuzawa, chief macro strategist at Nomura Securities in Tokyo. "It would work not only to flatten the (bond yield) curve in the two countries but also avoid other outrageous requests such as artificial yen appreciation." But there are at the same time limits to such threats as unloading Treasuries would hurt Japan and China by disrupting markets and causing huge losses on their remaining holdings.

Given the hit Japan and China themselves would suffer from selling their US Treasury holdings, the idea was an "absolute non-issue in the past," said Nathan Sheets, former US undersecretary for international affairs who is currently global chief economist at Citi Research.

"But countries have to use all the tools they have," he said. "The fact that we need to think about something like that shows the world we're in."

US labour market shows resilience; risks mounting from new trade policy

Reuters
Washington

US job growth slowed marginally in April and employers continued to hoard workers, but the outlook for the labor market is increasingly darkening as President Donald Trump's protectionist trade policy heightens economic uncertainty.

The Labor Department's closely watched employment report published yesterday, which also showed the unemployment rate held steady at 4.2% last month, helped to assuage fears that the economy was close to recession after gross domestic product contracted in the first quarter amid a tariff-induced flood of imports. Nonetheless, it is too early for the labor market to show the impact of Trump's on-and-off again tariff policy.

Labour market resilience gives the Federal Reserve cover to keep its benchmark overnight interest rate in the 4.25%-4.50% range next week.

"The 'R' word that the labor market is demonstrating in this report is resilience, certainly not recession," said Olu Sonola, head of US economic research at Fitch Ratings. "For now, we should curb our enthusiasm going forward given the backdrop of trade policies that will likely be a drag on the economy." Non-farm payrolls increased by 177,000 jobs last month after rising by a downwardly revised 185,000 in March, the Labor Department's Bureau of Labor Statistics said.

Economists polled by Reuters had forecast 130,000 jobs added last month after a previously reported 228,000 advance in March. Estimates ranged from 25,000 to 195,000 jobs added.

The survey of establishments also showed February's payrolls count was revised down by 15,000 jobs to 102,000. The economy needs to create roughly 100,000 jobs per month



A worker uses a brushing machine to refinish reclaimed wooden siding at a sawmill in Pine Plains, New York. US job growth slowed marginally in April and employers continued to hoard workers, but the outlook for the labour market is increasingly darkening as President Donald Trump's protectionist trade policy heightens economic uncertainty.

to keep up with growth in the working-age population. The household survey from which the unemployment rate is derived showed employment increased 436,000, absorbing most of the 518,000 people who entered the labor force.

Healthcare continued to dominate job growth, adding 51,000 positions across hospitals and ambulatory services. Transportation and warehousing employment increased by 29,000, mostly warehousing and storage, couriers and messengers as well as air transportation.

Financial activities payrolls rose 14,000, while social assistance employment increased 8,000 and government hiring overall rose 10,000. But federal government employment declined 9,000 and is down 26,000 since January amid the Trump administration's unprecedented and often chaotic campaign

spearheaded by tech billionaire Elon Musk's Department of Government Efficiency, or DOGE, to drastically shrink the government.

Despite news headlines of mass firings at government agencies, the decline in federal payrolls has been relatively modest. That is because fired employees who have been reinstated by court and subsequently put on paid leave are counted as employed. The same applies to those who have accepted buyout offers. Economists expect federal payrolls to drop significantly after September, when severance pay runs out for many.

The dollar fell against a basket of currencies. US Treasury yields rose. Manufacturing payrolls declined, reflecting the strain from the tariffs. Trump's "Liberation Day" tariff announcement ushered in sweeping duties on most imports from the

United States' trade partners, including boosting duties on Chinese goods to 145%, sparking a trade war with Beijing and tightening financial conditions. Trump later delayed higher reciprocal tariffs for 90 days, which economists said was essentially a pause on the whole economy as it left businesses in a state of paralysis and risked a recession if there was no clarity soon.

The labour market continues to show resilience amid a reluctance by employers to let go of workers after struggling to find labor during and after the Covid-19 pandemic, but warning signs are accumulating.

Business sentiment continues to plummet, which economists expect will at some point give way to layoffs. Already, airlines have pulled their 2025 financial forecasts, citing uncertainty over spending on non-essential travel because of tariffs.

US Treasuries slide as solid jobs market gives Fed room on rates

Bloomberg
New York

Treasuries fell after stronger-than-expected US employment data showed tariff uncertainty hasn't hit the nation's jobs market yet, prompting traders to trim bets on imminent interest-rate cuts.

The declines yesterday pushed yield on two- to seven-year notes higher by 10 basis points after non-farm payrolls rose 177,000, above all estimates compiled by Bloomberg. Traders pulled back on bets for Federal Reserve rate reductions, pricing in 81 basis points of total easing this year, compared to around 90 basis points before the report.

At the same time, traders pared their expectations for a rate cut in the coming months, only pricing in the next move in July. Economists at Goldman Sachs and Barclays pushed back their forecasts for the Fed to lower its benchmark to July, rather than June, after the data.

The Fed is "going to have to wait until they see any kind of impact in terms of a rise in the unemployment rate," Jeffrey Rosenberg, a portfolio manager at BlackRock Inc, said on Bloomberg Television. "None of this data reflects the impact of the shock, and we will have to see that data show up."

Two-year yields are on course for their largest two-day rise since October as investors rethink bets that President Donald Trump's tariffs will quickly slow the world's largest economy. On Thursday, bonds fell after a manufacturing survey came in stronger than anticipated.

For investors, it's a question of how to weigh the economic pessimism that has been seen in some recent surveys against the resilience in top-tier measures of employment such as yesterday's jobs report. US consumer confidence fell in April to an

almost five-year low. While traders in the futures and options markets trimmed block their expectations for the Fed, fully pricing in only three quarter-point rate cuts before the end of 2025, versus four earlier in the week.

Meantime, a popular trade has emerged that stands to benefit should the Fed refrain from cutting rates at all this year. That position was bought again in the lead-up to the employment report.

In the aftermath of the data, a couple of large futures block trade in both 5- and 10-year note contracts added to the downside pressure and kept yields supported near highs of the day. The combined risk weighting across the two sales was equal to just over \$1mn per basis point move.

Complicating matters for the economic outlook is uncertainty over what tariffs will eventually be instated and when, as US negotiations with key trading partners are underway or being planned. China has quietly started to exempt some US goods from tariffs that likely cover around \$40bn worth of imports, in what looks like an effort to soften the blow of the trade war on its own economy. Japan, meanwhile, said trade discussions will likely gain momentum in mid-May.

For now, Fed officials have been waiting to see what top-tier economic data reveals, while remaining a guard against the possibility that tariffs will push up inflation. Speaking in late April, Fed Governor Christopher Waller said that he'd support rate cuts if there's a significant rise in unemployment, which could happen if Trump reinstates more aggressive tariff levels and firms begin laying off more workers.

The labour data offers the last major reading of the US economy's health ahead of the Fed's two-day gathering next week.

Bank deal's \$867mn write-down exposes lingering pain from high rates

Bloomberg
California

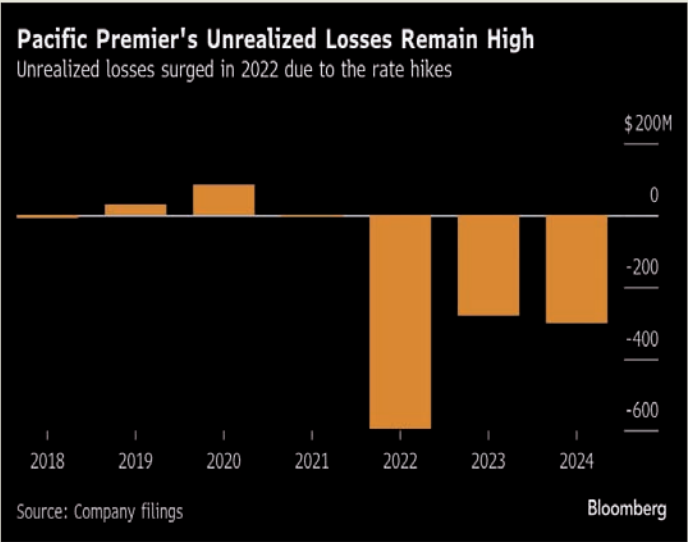
This year's biggest regional bank merger comes with some big write-downs, underscoring how the impact of high interest rates stubbornly lingers after the industry's 2023 convulsions. Columbia Banking System Inc's \$2bn stock deal for California lender Pacific Premier Bancorp features plans for \$867mn of write-downs to Premier's loans and securities. That's partly to crystallise hundreds of millions of dollars in unrealised losses that Pacific Premier racked up by piling into long-dated holdings before the Federal Reserve rate hikes began three years ago.

The deal — which adds Southern California to the footprint of Tacoma, Washington-based Columbia — offers some optimism that paper losses won't prove too big an obstacle for a revival in bank combinations that many investors have predicted. But the price tag valuing Premier at slightly less than its tangible book value shows the pain of investing choices from

years ago will linger. "Anyone who bought bonds in 2021 and the first three to four months of 2022, they regretted it," said Jeff Davis, a managing partner at Mercer Capital, a business valuation and transaction advisory service. "If they bought more municipal bonds or mortgage-backed securities, they really regretted it."

Unrealised losses have been one of the largest overhangs for Pacific Premier, whose portfolio value, profits and stock price crumbled as interest rates rose. Dozens of other regional banks were also stuck with outsize paper losses, discouraging would-be acquirers from making merger offers. With those pressures easing and expectations of swifter approvals under the Trump administration, investors have been speculating about a revival in bank combinations.

The deal arranged by Pacific Premier Chief Executive Officer Steven Gardner values the bank just shy of its tangible book value. That's about 25% less than the median for comparable mergers since early 2024, according to data from S&P Global Market



Intelligence, but analysts don't view this as a fire sale. "There are several under-appreciated, strong aspects of the business that were overshadowed by lower yields on the asset side," Andrew Terrell, who covers bank stocks for Stephens Inc. Among them are Pacific Premier's low-cost deposit generators such

as trust and deposit escrows as well as providing accounts for homeowners associations, Terrell said. The deal would merge Pacific Premier's \$18bn in assets and \$15bn in deposits with Columbia's \$52bn in assets and \$42bn in deposits. Pacific Premier holders would wind up with a stake of

about 30% of the combined company under Columbia's name. During a conference call, Columbia pointed to the benefits from geographical expansion and the potential to cut 30% of Pacific Premier's non-interest expenses, saving about \$127mn before taxes. The updating of asset values also works both ways, with Columbia expecting a \$25mn reversal of existing marks on Pacific Premier's acquired loans, a \$12mn write-up for fixed assets and \$11mn on time deposits.

What's more, Gardner built a massive capital buffer that helps counter some of the weak holdings. At the end of March, Common Equity Tier 1 capital equalled 17% of the bank's assets, far higher than its 7% regulatory minimum.

"Steve's bank is probably the best-capitalised bank in the country," Columbia CEO Clint Stein said in an interview. "He's got a war chest of capital, and we're able to unlock that through purchase accounting and reset those asset marks to current market rates."

That's common accounting practice in such deals, giving

investors and managers a clear idea of what they're owning and perhaps give a lift to future earnings. Fair value and interest rate marks are expected to be accretive over the remaining life of the assets. Chief Financial Officer Ronald Farnsworth told investors during the conference call. What's uncommon is the long lifespan of Pacific Premier's securities portfolio. At the end of 2024, about \$1bn of holdings weren't expected to mature for more than a decade — about 44% of the portfolio, according to its annual report. A year earlier, the bank took \$254mn in losses on its portfolio when it sold off some of its underwater securities to buy new holdings with better returns. Columbia has dealt with changing marks before in this cycle.

In early 2023, it completed a \$5.2bn acquisition of Umpqua Bank, bringing \$94mn of gross unrealised gains, mainly from improved rate marks when the bond market rallied. The Umpqua deal took Columbia about a year and a half to close amid an elongated regulatory review.