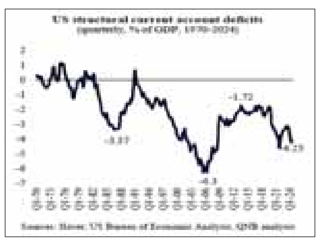


QNB COMMENTARY | Page 8

US-related external imbalances risk 'disorderly adjustment' in future: QNB

Sunday, May 4, 2025
Dhul-Qi'dah 6, 1446 AH

GULF TIMES
BUSINESS

TARIFFS IMPACT: Page 2

Eurozone inflation holds above target as ECB weighs cuts

QU, QFCRA sign pact to enhance co-operation in finance and economy

Qatar University (QU) signed an agreement with the Qatar Financial Centre Regulatory Authority (QFCRA) to "strengthen co-operation in the exchange of expertise and knowledge in linguistic, cultural, and translation fields within the finance and economy sector."

The agreement was signed by Prof Ibrahim al-Kaabi, Vice-President for Academic Affairs at QU, and Fatma Abdulrahman al-Meer, Chief Financial Officer and Chief Operating Officer at QFCRA, in the presence of officials from the two institutions.

The agreement aims to strengthen co-operation between the two parties in developing the language and translation skills of students from the Department of English Literature and Linguistics, in alignment with the requirements in the finance and economy sector. It also aims to establish joint research projects that study linguistic, cultural, and translation challenges in the finance and economy sector through the development of innovative solutions to these challenges.

Additionally, it seeks to encourage the exchange of knowledge and expertise between academics and professionals in the field of finance and economy, benefiting both parties, and to provide internship opportunities for students from the Department of English Literature and Linguistics.

Prof Ibrahim al-Kaabi stated that this co-operation represents an important step towards aligning university education outcomes with labour market needs and opening new horizons between both parties. It also contributes to developing students' capabilities in applied fields that enhance their skills and broaden their professional prospects.

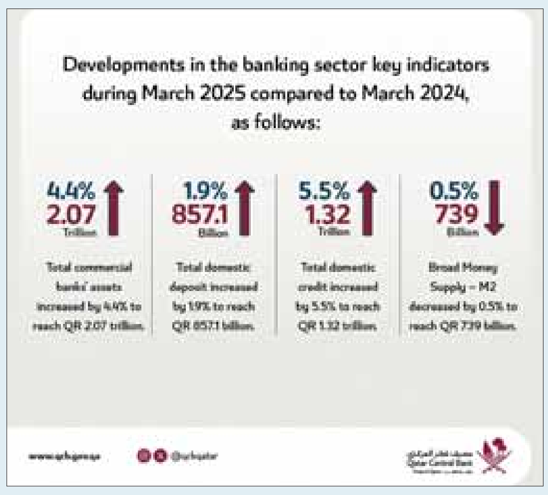
He further emphasised that this agreement comes within QU's commitment to providing an educational environment that keeps pace with economic developments and offers its students opportunities to deepen their knowledge, thereby strengthening their ability to actively participate in national projects that contribute to achieving Qatar National Vision.

Fatma Abdulrahman al-Meer said, "It is an honour to announce our partnership with Qatar University through this agreement. As part of its role under the Third Financial Sector Strategic Plan, the QFCRA's commitment to promoting financial literacy in Qatar is underscored by our continuous collaboration with our partners in academia.

"This agreement marks a significant step towards strengthening our educational and professional landscapes as we work towards achieving the Qatar National Vision 2030."

The agreement was signed by Prof Ibrahim al-Kaabi, Vice-President for Academic Affairs at QU, and Fatma Abdulrahman al-Meer, Chief Financial Officer and Chief Operating Officer at QFCRA, in the presence of officials from the two institutions.

Qatar banks' total domestic credit up 5.5% to QR1.32tn in March: QCB



Total domestic credit in Qatar's banking sector increased by 5.5% to QR1.32tn in March compared to the same period last year, according to QCB.

Latest banking sector indicators provided by Qatar Central Bank showed that total domestic deposits with commercial banks' assets increased by 1.9% to QR857.1bn in March compared to the same period last year.

The total assets of commercial banks in the country increased 4.4% year-on-year to QR2.07tn in March. On the other hand, broad money supply (M2) decreased 0.5% year-on-year to QR739bn in March. QCB noted.

AlRayan Bank receives top award for 'Best CSR Initiative in Banking Sector'

AlRayan Bank has concluded its participation as the Diamond Sponsor of the 'Qatar CSR Summit 2025', which was held under the patronage of leading national institutions and attended by prominent figures from government, business, and civil society. The event served as a key platform for dialogue and collaboration on advancing sustainability, social development, and ethical corporate practices in Qatar and the wider region.

During the summit, AlRayan Bank was honoured with the 'Best CSR Initiative in the Banking and Financial Sector' award in recognition of its impactful and sustained contributions to community development, environmental stewardship, and social inclusion.

The achievement crowns a year of dynamic CSR engagement by the bank, including its far-reaching 'Ramadan 2025' initiatives, which supported a range of charitable organisations, such as the Dreama Orphan Care Centre, Qatar Cancer Society, Qatar Autism Society, Qatar Society for Rehabilitation of Special Needs, and Qatar Charity's Debtors Programme (Al Gharimeen). These partnerships empowered some of the most vulnerable groups in society and reflected the bank's core values of equity, empathy, and shared prosperity.

AlRayan Bank's broader CSR strategy includes initiatives in financial education, sustainability, and cultural enrichment. The bank has delivered Islamic finance lectures and cybersecurity workshops at Qatar's leading universities, launched inclusive programmes such as a sign language workshop, and activated its NEXT Innovation Lab during 'Qatar Sustainability Week' to explore digital solutions for ESG impact alongside global partners like Microsoft and Mastercard.

Eman al-Naemi, AGM, Corporate Communications at AlRayan Bank, stated: "Our Diamond sponsorship of the 'Qatar CSR Summit 2025' reflects our long-standing commitment to supporting platforms that advance national dialogue on sustainability and responsible leadership.

"Receiving the award for 'Best CSR Initiative in the Banking Sector' is a powerful recognition of the impact we strive to make every day. At AlRayan Bank, we remain dedicated to delivering initiatives that create real value for society, support the national vision, and reaffirm our role as a responsible financial institution deeply rooted in Islamic values."

AlRayan Bank was honoured with the 'Best CSR Initiative in the Banking and Financial Sector' award in recognition of its impactful and sustained contributions to community development, environmental stewardship, and social inclusion.

QIIB launches 'exclusive' promotional campaign with Visa

QIIB has launched an exclusive promotional campaign in collaboration with Visa as part of the bank's ongoing commitment to offering its customers the best deals and rewards.

The campaign gives QIIB Visa credit cardholders the chance to win one of four luxurious travel packages for two, covering both London and Paris, with five-star hotel accommodations, business class airfare, and premium shopping experiences at some of Europe's top retail destinations.

The campaign aims to reward customers for their continued use of their credit cards by offering an unforgettable experience that blends luxury, exclusivity, and travel.

It aligns with QIIB's strategy of enriching its customers' experiences and supporting their modern lifestyles.

Running until June 30, the campaign offers multiple chances to win, based on cumulative spending with QIIB Visa credit cards.

Customers will receive three chances to win for every cumulative QR1,000 spent internationally or through e-commerce transactions, and one chance to win for every cumulative QR1,000 spent locally within Qatar.

According to the campaign's terms and conditions, customers must spend a minimum of QR50,000 using their QIIB Visa credit card during the campaign period to qualify for entry into the travel package draw. Additionally, new customers who apply for and receive a QIIB Visa credit card during the campaign will enjoy an added advantage – they will receive five bonus entries upon completing their first cumulative spend of QR1,000.

Khalid Abdul Rahman al-Shaibei, Head of Business Development at QIIB, said: "We are delighted to announce this innovative campaign, which reflects our ongoing strategy to enhance our customers' experience by offering real rewards that cater to their passion for travel, shopping, and entertainment.

"London and Paris are two dream destinations for travel enthusiasts, and we have carefully designed a journey that combines luxury accommodation, exceptional experiences, and world-class entertainment – all tailored to meet the expectations of our valued customers."

He added: "At QIIB, we believe that exceptional offers are an effective way to express our appreciation for our customers' loyalty.

That is why we ensured that this campaign is inclusive of all QIIB Visa credit cardholders – whether existing or new – and covers local and international transactions as well as e-commerce purchases, making participation easier and significantly increasing the chances of winning." Shashank Singh, Visa's Vice-President and General Manager for Qatar and Kuwait, said, "We are pleased to strengthen our partnership with QIIB through this unique offer that combines premium travel and shopping benefits.

At Visa, we are committed to delivering rewarding experiences to our customers, especially at a time when the appetite for travel and discovering new destinations continues to grow."

He added: "This campaign comes at a perfect time, with forecasts pointing to a busy summer travel season.

Thanks to Visa's acceptance at more than 150mn merchant locations worldwide, QIIB customers can enjoy the confidence and convenience of using their Visa cards wherever their travels take them."

This promotional campaign stands out as one of QIIB's key initiatives in the area of loyalty programmes and competitive offers. Through such initiatives, the bank aims to deliver real, tangible experiences that go beyond traditional banking services, enriching customers' lifestyles and aspirations while providing greater value in recognition of their continued loyalty.

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

Shashank Singh, Visa's vice-president and general manager for Qatar and Kuwait.

UK ring-fencing rules prompt rare public row among bank bosses

Bloomberg
London

The top bosses at the UK's biggest banks don't often tussle in public but new proposals about the future of the country's crisis-era ring-fencing rules have chief executives squaring off.

On one side stands HSBC Holdings Plc boss Georges Elhedery along with the CEOs of several other major UK banks who say the rules are costly and limit their ability to compete. On the other is Barclays Plc's C S Venkatakrishnan, who wants the country to keep the rules that effectively force the largest banks to legally separate their retail and investment banking arms.

While a series of tweaks have been made to the rules in recent years — including an increase in the asset threshold a bank has to meet before it's required to ring fence operations — most banks want to see the government go further. Many point to the fact that the Bank of England now has its own Resolvabilty Assessment Framework, which requires banks to produce documents that are often several hundred pages long and set out everything from which businesses a bank might sell in the event of their failure to arranging access passes for external administrators.

"The ring-fencing regime was implemented in a hurry after the financial crisis," said Lee McGinty, who previously oversaw financial risk at Lloyds Banking Group Plc. "The question is: Do authorities think the recovery and resolution framework is adequate? To my mind, it is hard to see what ring-fencing adds that you don't get with the Resolvability Assessment Framework."

The rules were part of the government's response to the global financial crisis in 2008 and were aimed at protecting UK retail banking from shocks emanating from elsewhere. They mean Britain's biggest banks, like Barclays and HSBC, are now barred from moving much of their domestic earnings into their international arms, which often house their riskier investment bank and trading arms.

"The ring-fencing has become redundant," Elhedery said on Tuesday. "The result of the ring fence has meant that it increased the cost, it created capital inefficiencies, it trapped liquidity." Some effects from the rules can be seen in the UK mortgage market. In the past, excess retail deposits were used to support a greater variety of corporate lending activities. Now, though, the ring fence regime means this surplus often gets recycled back into home lending due to the restrictions on what activities this money can be used to finance.

"This discussion on ring fencing, if you like, isn't so much to do with our own operating or administrative expenses, although clearly those are increased by virtue of ring fencing," William Chalmers, chief financial officer of Lloyds, told reporters this week. "It's about serving customers in a way that allows us to extend the benefits of a strong balance sheet to allow those customers to pursue their ambitions and aims."

In his defence for repealing the rules, NatWest Group Plc CEO Paul Thwaite invoked Prime Minister Keir Starmer's push to deregulate as a way to boost growth in the UK. Along with Chancellor of the Exchequer Rachel Reeves, Starmer has blasted regulators for going too far in their efforts to curb risks and ordered them to turn their attention toward supporting the economy. "Net-net it may limit the ability to support the wider growth agenda," Thwaite said on a conference call with journalists. Thwaite was one of four banking chiefs that wrote a letter to Reeves last month arguing that the ring-fence regulations are a drag on the banks' ability to support the economy and urged the government to get rid of "unnecessary constraints."

Barclays' Venkatakrishnan was not a signatory on that letter. On a conference call with journalists this week, the former chief risk officer said the need to protect customers trumped all the arguments made by his peers for dumping the rules.

"Depositor protection, to me, is perhaps the single most important pillar in the regulatory regime," Venkatakrishnan said. "Ring-fencing essentially helps protect depositors by segregating both the liabilities and the assets associated with those depositors, and therefore, in a resolution, God forbid, make it easier to make depositors whole."

Barclays would likely face increased competition from US peers like Goldman Sachs Group Inc and JPMorgan Chase & Co if the ring-fencing rules are softened further. Both firms operate UK savings arms that have amassed billions of sterling deposits in recent years, though they have stayed below the £35bn asset threshold that the rules require because banks that cross the limit can't use the funds in riskier investment bank and trading arms.

Abandoning those rules — or further raising the limit — could allow them to amass more retail deposits and use that cheaper source of funding to win more share of those traditional Wall Street businesses in the UK, where Barclays currently dominates.

John Vickers, the chairman of the 2011 UK government commission that recommended the rules, said abolishing them would be a mistake. He added unpicking ring-fencing might also mean having to impose stricter operating rules on banks in other areas, such as the amount of loss-absorbing capital they must have set aside.

"It's for the birds the idea you can just rely on the resolution framework," Vickers said. "Without ring-fencing there would have been a need for much higher capital requirements. You can't sensibly take one piece of the solution out without an adjustment in the other."

Eurozone inflation holds above target as ECB weighs cuts

Bloomberg
Frankfurt

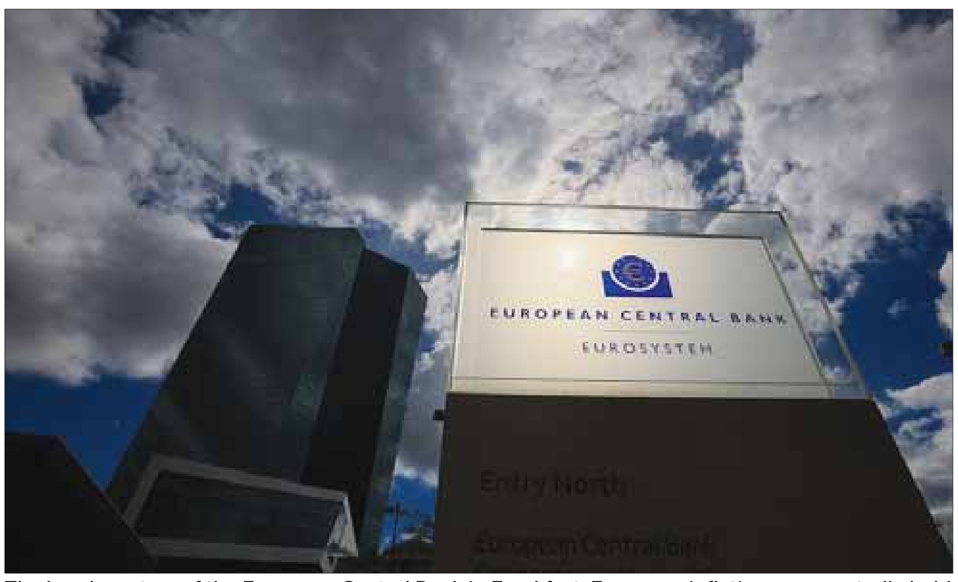
Euro-area inflation unexpectedly held steady and an underlying measure jumped in an awkward report for officials weighing how to respond to the economic hit from US tariffs.

Consumer prices rose 2.2% in April from a year ago, the same pace as in March, Eurostat said on Friday. Economists had expected a slowdown to 2.1% in a Bloomberg survey.

Closely-watched services inflation accelerated, an expected effect of later Easter holidays that should reverse in May. The core number that strips out volatile components including food and energy came in at 2.7%, far more than analysts had predicted.

National reports this week showed slight decelerations in Germany and France, while Italian and Spanish inflation held steady.

The numbers come after European Central Bank officials displayed growing optimism in reaching their 2% goal this year, with President Christine Lagarde saying last week the task is "nearing completion." A Bloomberg Economics Nowcast expects price gains to hit that level this month.



The headquarters of the European Central Bank in Frankfurt. Euro-area inflation unexpectedly held steady and an underlying measure jumped in an awkward report for the ECB officials weighing how to respond to the economic hit from US tariffs.

Policymakers have instead become more concerned about the economic damage from Donald Trump's tariffs. While ECB Chief Economist Philip Lane doesn't expect a recession, activity may recover more slowly than previously thought as companies hold off on investments and consumers postpone purchases.

"The high level of uncertainty around the global and euro-area growth outlook implies that the ECB may not pay much attention to the higher-than-expected April inflation numbers at its June meeting," Nordea economists Tuuli Koivu and Anders Svendsen said.

"For some members of the Governing Council, upside services inflation surprises could be a matter of concern. Nonetheless, we expect the European Central Bank to be forward-looking in setting policy and cut in June and September," says Jamie Rush, chief European economist at Bloomberg.

Most policymakers now think that global trade disruptions will mostly weigh on prices in the eurozone. Slower growth, a stronger euro and falling energy costs are all expected to tame price pressures and lead to downward revisions in the ECB's next round of economic projections in June.

Another factor is the potential diversion of Chinese goods that are now effectively shut out of US markets. Bloomberg Economics estimates that a large-scale rerouting of these products to other parts of the world could lower consumer prices in the European Union by 0.5-1.5%.

Much still depends on how talks with the US develop during a 90-day window that Trump has allowed for negotiations. While the EU has so far held off on retaliation, any counter tariffs could push prices higher.

On balance, ECB officials have recently signalled they're ready to add to the seven cuts to borrowing costs they've delivered since last June. But with rates now in a range where they're estimated to no longer weigh on economic expansion, many have warned against easing too much unless the outlook darkens further.

Recent dynamics "should be enough to stabilise consumer inflation close to the 2% target in the medium term," said KfW economist Stephanie Schoenwald. "This leaves the door open for the ECB to cut interest rates again in June."

After the inflation data, German bonds stayed lower and the euro held gains against the dollar. German two-year yields — among the most sensitive to monetary policy — were four basis points higher at 1.72% while the euro rose 0.4% to 1.1334 against the greenback.

Money markets expect the ECB will deliver another two to three quarter-point cuts, according to swaps tied to policy-meeting dates.

India's largest bank plans to raise $3bn in share sale

Bloomberg
Mumbai

State Bank of India plans to raise Rs250bn ($3bn) through new shares and this fiscal year, marking the first equity raising by the state lender in seven years.

Net income at the country's biggest lender fell 9.9% to Rs186.4bn in the three months through March, from a year earlier, according to a statement yesterday. It managed to beat the Rs179.9bn average estimate of 18 analysts.

The fundraising plan comes as local bank shares are trading at record highs, with the sector seen as relatively shielded from tariff-related turmoil. Private sector lender Axis Bank Ltd last month unveiled plans to raise $6.4bn, while IDFC First Bank Ltd is raising capital from Warburg Pincus and Abu Dhabi Investment Authority.

Mumbai-based State Bank of India, or SBI, will raise this sum via a share sale in the year ending March 2026 in one or more trances, it said in the statement. The bank declared a dividend of Rs15.9 per share. Peers including HDFC Bank Ltd and ICICI Bank Ltd beat quarterly profit estimates last month, driven by higher interest income.

The capital raising would be based on business needs and the market conditions, SBI Chairman Challa Sreenivasulu Setty in a post-earnings briefing. "The bank has adequate capital to support growth at the current capital adequacy levels," he said.

The bank will continue accessing debt capital through additional Tier-1 and infrastructure bonds.

Setty also expects India's central bank to cut its policy repo rate by another 50 basis points by March 2026, which could squeeze the bank's margins as deposits and loans are repriced. "We have moderated our credit growth to 12-13% this year and system level growth could be lower at 10-11%," he said.

SBI's loan advances rose 12% to Rs42.2tn through March from a year earlier, while deposit base climbed 9.5% to Rs53.82tn. Its gross non-performing assets decreased to 1.82% from the year-ago period and was lower than the estimate of 1.98%.

HSBC investors with $1.6tn seek reassurance on net zero

Bloomberg
London

A group of 30 HSBC Holdings Plc investors is asking the bank to confirm it's still committed to cutting CO_2 emissions, amid concerns Europe's biggest lender is backing away from its climate pledges.

The shareholders, who together sit on more than £1.2tn ($1.6tn) in assets under management, will ask HSBC "to restate its commitment to the net-zero transition," according to ShareAction, the London-based nonprofit co-ordinating the move.

The request will be made at Friday's annual general meeting.

"HSBC has sent deeply concerning signals around whether managing the rapidly multiplying financial risks of global heating is still one of its priorities," said Jeanne Martin, head of the banking program at ShareAction.

A spokesperson for HSBC declined to comment, noting that the bank's senior management will be able to address such questions during the AGM.

HSBC last year parted ways with chief sustainability officer, Celine Herweijer, replacing the PhD in climate modelling with a former head of global banking for the Middle East, North Africa, and Turkiye. Herweijer's successor, Julian Wentzel, has since criticised what he characterises as a negative bias against fossil fuels, and underlined the "very important role" of the carbon economy.

The HSBC Holdings UK headquarters in London. A group of 30 HSBC Holdings investors is asking the bank to confirm it's still committed to cutting CO2 emissions, amid concerns Europe's biggest lender is backing away from its climate pledges.

Wentzel's comments came not long after HSBC walked back some of its earlier emissions goals, a move it said was necessary because of the slow pace of decarbonisation in the wider economy. The bank has pushed back its targets for eliminating operational emissions by 20 years and is reviewing its emissions reduction targets for its lending to seven high-carbon sectors.

Such developments have left climate-conscious investors "in the dark on just how committed the bank remains to playing its significant part in securing the long-term prosperity of our global economy," Martin said.

HSBC, whose chairman, Mark Tucker, just announced his intention to step back after eight years at the helm, is no stranger to such campaigns. It's faced a shareholder resolution on its lending to fossil fuel clients, has been asked to ramp up its financing of renewables, and its annual meeting is regularly disrupted by climate activists. Investors backing the latest resolution include AkademikerPension, the Church of England Pensions Board and Rathbones Investment Management.

"This group of investors is calling on the bank to urgently affirm it will continue to build on its existing climate progress rather than backtrack, and to undertake this process in dialogue with shareholders," Martin said. "If the bank fails to do so it should not expect shareholders to remain silent."

Banks are major contributors to global warming via their financing and lending activities, providing the world's biggest polluters with funding for extraction and drilling. Their role as the money pipeline for the fossil-fuel industry has attracted greater scrutiny from investors and activists in recent years.

Global factories struggle to overcome Trump tariffs and uncertainty

Bloomberg
London

More signs emerged in a wave of reports this week that global manufacturing is buckling from President Donald Trump's trade war. Purchasing manager indexes across Asia, along with revised numbers in Europe on Friday, showed new or persisting contractions in factory activity in April.

The reports capped a flurry of worrying signals: Few economies are avoiding the concussion of tariffs and paralysing uncertainty that's engulfed the world economy one month after the US president announced widespread taxes on American imports.

Releases earlier in the week revealed damage in the two main combatants, whose tariffs have effectively shut off incentives for trade between nations that account for more than 40% of global GDP. A report Thursday showed US manufacturing activity shrank by the most in five months, a day after data revealed Chinese factories slipped into the deepest contraction since December 2023.

Workers operate sewing machines at a Thai garment factory in Ho Chi Minh City, Vietnam. Purchasing manager indexes across Asia, along with revised numbers in Europe on Friday, showed new or persisting contractions in factory activity in April.

Factory sentiment is unlikely to turn around until there is clarity on where tariffs are headed — which may take time, said James Knightley, chief international economist at ING.

"The on-off-on-off nature of the tariffs is creating huge uncertainty and that is leading to businesses sitting on their hands," Knightley said. "They won't make big decisions until they have some confidence that there won't be another immediate change in the economic environment."

Before this trickle of initial indicators of a downturn began to surface, alarm at the world's prospects was already on show in Washington as finance chiefs gathered for the International Monetary Fund's meetings last month. After a cut in the growth outlook, the lender's chief, Kristalina Georgieva, warned that the chances of a global recession will rise if uncertainty persists.

Now, the evidence is crystallising of a synchronised hit that the world economy may struggle to shake off — even if the rewiring of international commerce sought by the White House does succeed through bilateral deals that remove trade barriers and suspend the imposition of higher levies.

The Asian reports on Friday were stark. Indexes for the region's factory giants, including South Korea and Taiwan, slipped sharply amid falling orders and production cutbacks, according to S&P Global. In Southeast Asia, activity shrank in Thailand, Malaysia and Indonesia.

Amid the overall gloom, India was an outlier with expansion in activity.

Another glimmer of optimism in the near term appeared in the euro area, where the S&P Global manufacturing index reached a 32-month high.

But it remained in contraction territory, with only the prospect of a spending binge to rearm the region's military likely to buoy the situation.

"Industrial activity remains highly exposed to US tariff policy," Hamburg Commercial Bank Chief Economist Cyrus de la Rubia said in a commentary. "Manufacturers were clearly able to expand their profit margins in April, as purchasing prices fell while selling prices rose at their fastest pace in two years."

He added, though, that any improvements might be short-lived given the trade diversion that tariffs are causing. "This is unlikely to continue as US tariff policy is likely to see Chinese goods being offered more widely in the EU, intensifying competition," De la Rubia said.

Mohit Kumar, chief economist for Europe at Jefferies International, warned that the PMI numbers so far are just the start — and that the impact may linger despite any trade deals Trump concludes.

"It could be another few weeks before we really see the hit," he said. "Data will weaken even if we get deals with the majority of partners at the end of the 90 days, because there has been a lot of uncertainty, people will have pulled back, supply chains have got broken." Figures out on Friday showed the JPMorgan Global Manufacturing index of future output declined in April to the lowest level since October 2022. Meanwhile, goods producers in emerging markets also took a hit.

In South Africa, manufacturers turned more gloomy, blaming uncertainty fanned by global tariffs and domestic political strains.

Absa Group Ltd's PMI purchasing managers' index, compiled by the Bureau for Economic Research, fell to 44.7 in April — its sixth consecutive month in the contraction zone.

Brazil's manufacturing sector neared stagnation in April, with the PMI falling to 50.3, the weakest since December 2023.

"Business confidence regarding output prospects dropped to the lowest level in five years amid concerns about US tariff policy and domestic economic conditions," Alberto Ramos, chief Latin America economist at Goldman Sachs Group Inc, wrote in a report.

In Mexico, the decline was even more pronounced. Latin America's second-largest economy saw its PMI plunge to 44.8 in April from 46.5 in March, marking its 10th consecutive month of contraction and the lowest reading since February 2021.

Gene Seroka, executive director with the Port of Los Angeles, said he sees weeks or months of disruptions for American retailers and factories alike, given the length of time it takes companies to reroute their supply chains to avoid the US's 145% tariffs on most Chinese goods.

"Manufacturing floor space capacity is at a premium, and you don't necessarily just say, 'OK, shut off China today. I'm going to Cambodia tomorrow,'" Seroka said in an interview published on Friday by Bloomberg Opinion. "It doesn't work that way."

Hong Kong's growth unexpectedly picks up on tourism and export boom

Bloomberg
Hong Kong

Hong Kong's economy expanded at the fastest pace in more than a year, benefiting from a recovery in tourism and an export bump before Donald Trump's drastic tariff hikes.

Gross domestic product increased 3.1% from the same period last year, according to advance government data released on Friday. That was the biggest expansion since the last quarter of 2023 and exceeded the median estimate of 2.1% by economists.

The upbeat result, fuelled in part by rising tourism, may vindicate efforts by policymakers to make the city an attractive destination again after its image suffered from strict pandemic measures and a crackdown on freedoms.

But the pace is unlikely to last as exports, another key growth driver, likely took a hit from April, when Trump escalated his tariff war against China.

While the city produces few goods of its own, Hong Kong remains highly vulnerable to Trump's trade war due to its heavy reliance on re-exporting mainland Chinese products now facing steep levies imposed by Washington.

"The extremely high levels of trade policy uncertainty will dampen international trade flows and investment sentiment, which in turn overshadow the near-term outlook for the Hong Kong economy," a government spokesman said in a statement.

Exports to mainland China and Southeast Asia saw strong increases, earlier data showed. Sales to the US rose moderately, likely because of front-loaded shipments to avoid large tariffs entering effect in April.

Trade tensions also threaten to cast a broader chilling effect on business sentiment, amplified by the Trump administration's moves to apply tariffs directly to Hong Kong goods, further blurring lines with mainland China.

This erosion of the city's unique status, long a key selling point, adds distinct geopolitical risk for companies operating in the former British colony.

In an attempt to buffer its economy against the tariff war, the local government has accelerated efforts to diversify trade partnerships, actively courting regions like the Middle East and Southeast Asia.

The city has also sought to boost tourism by holding large events.

Japan sees trade talks speeding up, hopes for June agreement

Bloomberg
Washington

Japan aims to achieve a trade agreement with the US in June, with the high-stakes bilateral discussions expected to gain momentum in mid-May, Tokyo's chief negotiator said after concluding the latest round of talks in Washington.

The second meeting between US officials, including Treasury Secretary Scott Bessent, Trade Representative Jamieson Greer, Commerce Secretary Howard Lutnick and Japan's top trade representative Ryosei Akazawa was a frank and open one, although many areas of the discussions still need to be made concrete, Akazawa said.

"We were able to have concrete discussions on topics such as expanding our bilateral trade, non-tariff measures, and cooperation on economic security," Akazawa said to reporters on Thursday in Washington after the gathering. "We agreed to arrange a date for the next high-level meeting, aiming to accelerate the talks from mid-May."

Ryosei Akazawa, Japan's top trade representative, in Washington, DC.

Akazawa said he reiterated Japan's stance that US President Donald Trump's wide-ranging tariff campaign was "extremely regrettable" while repeating Tokyo's plea that the tariff measures be revisited.

A new angle on the talks emerged earlier Friday when Finance Minister Katsunobu Kato hinted at the possibility of citing Japan's vast holdings of US Treasuries for leverage in discussions, although it's unclear how serious he was about the idea. "It does exist as a card," said Kato, speaking on a TV Tokyo program Friday. "Whether or not we use that card is a different decision."

Kato's remark struck a different tone from views expressed in April by the ruling party's policy chief Itsunori Onodera, who said Japan, as an ally to the US, would not intentionally take action against US government bonds. There's no indication that the matter of Japan's foreign reserves came up during Akazawa's meeting in Washington.

The participants didn't discuss foreign exchange, national security or China, he said.

Akazawa said he hopes the acceleration in the negotiations will allow Trump and Japanese Prime Minister Shigeru Ishiba to reach an agreement in June.

"It is not simply a matter of speed, as there are national interests that must be protected on both sides, which will take some time," Akazawa said. "There are still many issues that need to be addressed and resolved before a final agreement can be reached."

In mid-June, the two leaders could meet for talks on the sidelines of the summit of the Group of Seven nations in Canada before the 90-day pause on the so-called reciprocal tariffs ends in early July.

Nations around the world are watching to see how Japan fares in its efforts to get a reprieve from tariffs that Trump hopes will close US trade deficits with its trading partners. India finalised terms of reference for a bilateral deal last week, Bloomberg reported, while Bessent said that Washington and Seoul could reach an "agreement of understanding" as soon as this week, though Seoul has said that is unlikely. Akazawa said an agreement with the US will have to be a package deal.

Japan stands to be hit hard by US trade policies. A 25% levy on US imports of steel and aluminium started in March, with a similar tax on autos and a baseline 10% tariff on all goods kicking in earlier this month.

The auto tariffs would hit the core of the nation's industry in particular, although Trump took steps to ease the impact from those duties earlier this week.

"One Japanese carmaker is already losing $1mn an hour," Akazawa said, without elaborating. Protecting Japan's interests and jobs will be crucial for Ishiba ahead of a national election in July. Last year car and car parts accounted for a little over one-third of Japan's exports to the US, its biggest export destination, while farmers have consistently offered strong support for his ruling Liberal Democratic Party in rural areas.

"Autos and agriculture are both important economic sectors with many people relying on them for their livelihoods," Akazawa said.

"It is entirely natural that some people may feel anxious about the Japan-US negotiations, and we are fully aware of this. We have no intention of engaging in negotiations that would harm our national interests."

BUSINESS

In Wall Street's epic comeback, unsolved market mysteries abound

Bloomberg
New York

It was the week Wall Street got its swagger back. Stocks staged a gravity-defying rebound to wipe out all losses from April's tariff shock, Corporate America unleashed billions in pent-up bond sales and speculative assets from crypto to unprofitable tech companies surged.

Yet beyond the relief rally — built on hopes that the White House will ink trade deals soon enough — the financial ecosystem is flashing warning signs for the likes of hedge funds and day traders plunging back into risk.

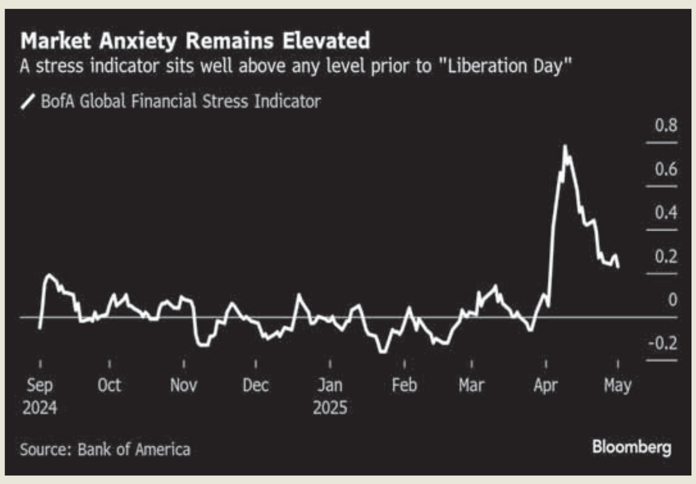
Signals in the bond market show the Federal Reserve in a policy bind, imperilling hopes that Jerome Powell & Co can soften the tariff blow fast. The world's reserve currency continues to lose its compass as it bucks moves in Treasury yields. And similar schisms are playing out in credit and equities as bulls defy elevated bankruptcies and falling earnings estimates.

While cross-asset contradictions are a regular feature of the trading landscape, the dislocations right now are worth heeding, according to Phil Pecsok, chief investment officer of Anacapa Advisors.

"We really don't know if there's going to be tariffs, relief from tariffs, lower taxes or retaliation. So it's very hard to get the fundamental story straight," he said. "Nobody knows anything. We are in no man's land."

As fast as traders bailed amid President Donald Trump's tariff threats, they've stormed back, lifting US stocks in nine straight sessions, the most in two decades. Credit spreads have tightened amid a flurry of issuance while Bitcoin, which was trading as low as $77,053 three weeks ago, is again testing the six-figure mark.

Behind the runup: Speculation that the worst of Trump's trade belligerence has been heard and signs that the US economy continues to hold up, with Friday data showing the unemployment rate held steady at 4.2%.



Yet in the underbelly of markets lingers scepticism that calls into question the $5tn equity recovery trade in less than two weeks.

Measures of marketwide anxiety have eased but remain elevated. Even after falling for three weeks, Bank of America Corp's global financial stress indicator sits well above any level seen in the eight months prior to Trump's "Liberation Day" warnings of April 2.

A key concern is that traders are charging back into risk on the conviction that Fed easing will be imminent, even though market-based inflation expectations have shown only tentative signs of cooling. While derivatives traders pared bets for interest-rate cuts following Friday's jobs data, they still envision three reductions in 2025, up from one in February.

At the same time, one-year inflation swaps in early April rose to the highest level since 2022 amid worries about the impact of tariffs on import prices. Despite a pullback, they're still more than 70 basis points higher than in January.

To Henry Allen, a macro strategist at Deutsche Bank AG, that's a recipe for disappointment given Powell's hawkish tone in his April speeches and the experience of 2022, when investors underestimated the Fed's resolve in extinguishing price pressures.

"Markets risk repeating a consistent error of recent years, in pricing a Fed that is much too dovish compared to what actually happens," he wrote in a recent note.

Allen also points to the uncomfortable fact that the dollar's link with fixed income continues to fray. In theory, the US currency would be expected to appreciate against the euro when 10-year Treasury yields rise relative to comparable German bonds, or vice versa. That's in part because higher-yielding assets attract money, bolstering the allure of the country's currency. Yet that relationship has remained fractured since early April.

To Lawrence Creatura, a fund manager at PRSPCTV Capital LLC, the greenback's weakness is a tell-tale sign that the US is losing its clout with global trading partners, bringing flashbacks of the Smoot-Hawley Tariff Act of 1930 that helped worsen the Great Depression. "We are taking baby steps in that direction right now," he said. "We're going backwards in time and re-approaching that status where the dollar in the US is not a dependable, safe financial payment."

The Qatar Stock Exchange (QSE) Index increased by 183.46 points or 1.8% during the week to close at 10,447.63. Market capitalisation went up 1.6% to reach QR615.0bn from QR605.5bn at the end of the previous trading week. Of the 53 traded companies, 23 ended the week higher, 29 ended lower and one unchanged. Qatar General Insurance & Reinsurance (QGRI) was the best performing stock for the week, climbing 13.7%. Meanwhile, Al Faleh Educational Holding Company (FALH) was the worst performing stock for the week, going down 3.5%.

Qatar Islamic Bank (QIBK), QNB Group (QNBK) and Commercial Bank (CBQK) were the main contributors to the weekly index gain. QIBK and QNBK added 52.20 and 43.42 points to the index, respectively. CBQK contributed another 27.05 points.

Traded value during the week declined 6.0% to reach QR2,092.4mn from QR2,225.9mn in the prior trading week. Industries Qatar (IQCD) was the top value traded stock during the week with total traded value of QR197.3mn.

Traded volume fell 15.2% to 932.5mn shares compared with 1,099.1mn shares in the prior trading week. The number of transactions increased 6.7% to 100,458 vs 94,110 in the prior week. Baladna (BLDN) was the top volume traded stock during the week with total traded volume of 97.4mn shares.

Foreign institutions remained bullish, ending the week with net buying of QR105.2mn vs net buying of QR133.5mn in the prior week. Qatari institutions turned bullish with net buying of QR15.0mn vs net selling of QR38.1mn in the week before. Foreign retail investors ended the week with net selling of QR28.2mn vs net selling of QR11.0mn in the prior week. Qatari retail investors recorded net selling of QR92.0mn vs net selling of QR84.4mn. Global foreign institutions are net sellers of Qatari equities by $255.5mn YTD, while GCC institutions are also net shorts by $83.4mn.

DISCLAIMER

This report expresses the views and opinions of QNB Financial Services Co WLL ("QNBFS") at a given time only. It is not an offer, promotion or recommendation to buy or sell securities or other investments, nor is it intended to constitute legal, tax, accounting, or financial advice. We therefore strongly advise potential investors to seek independent professional advice before making any investment decision. Although the information in this report has been obtained from sources that QNBFS believes to be reliable, we have not independently verified such information and it may not be accurate or complete. *Gulf Times* and QNBFS hereby disclaim any responsibility or any direct or indirect claim resulting from using this report.

QNB FINANCIAL SERVICES

Weekly Market Report

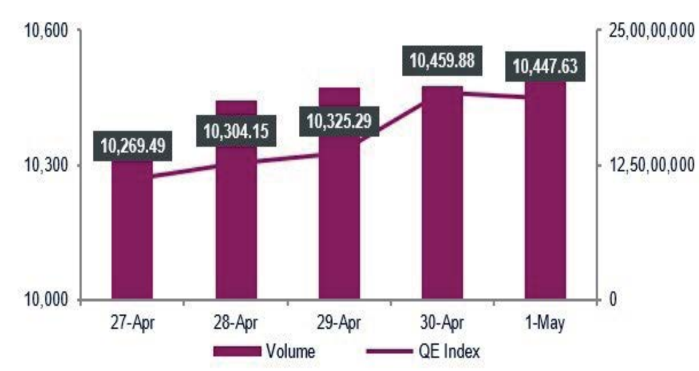
Market Indicators	Week ended. May 01, 2025	Week ended. April 24, 2025	Chg. %
Value Traded (QR mn)	2,092.4	2,225.9	(6.0)
Exch. Market Cap. (QR mn)	614,984.2	605,492.0	1.6
Volume (mn)	932.5	1,099.1	(15.2)
Number of Transactions	100,458	94,110	6.7
Companies Traded	53	53	0.0
Market Breadth	23:29	43:9	–

Source: Qatar Stock Exchange (QSE)

Market Indices	Close	WTD%	MTD%	YTD%
Total Return	24,646.94	1.8	(0.1)	2.2
ALL Share Index	3,847.46	1.8	(0.1)	1.9
Banks and Financial Services	4,753.29	2.9	0.3	0.4
Industrials	4,179.49	1.0	(1.6)	(1.6)
Transportation	5,628.77	0.7	0.7	9.0
Real Estate	1,632.91	(1.2)	(0.1)	1.0
Insurance	2,318.98	1.7	(0.6)	(1.3)
Telecoms	2,200.65	1.1	(0.1)	22.3
Consumer Goods & Services	7,940.83	(0.7)	0.2	3.6
Al Rayan Islamic Index	5,012.92	1.1	(0.3)	2.9

Source: Qatar Stock Exchange (QSE)

QSE Index and Volume



Source: Qatar Stock Exchange (QSE)

Weekly Index Performance

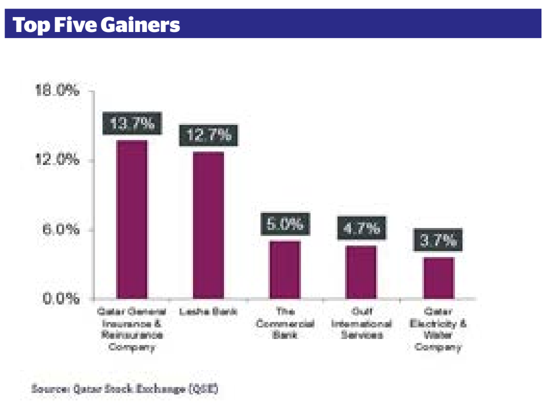
Source: Bloomberg

Regional Indices	Close	WTD%	MTD%	YTD%	Weekly Exchange Traded Value ($ mn)	Exchange Mkt. Cap. ($ mn)	TTM P/E**	P/B**	Dividend Yield
Qatar*	10,447.63	1.8	(0.1)	(1.2)	574.22	168,690.2	11.6	1.3	4.8
Dubai	5,272.80	1.5	(0.6)	2.2	580.71	252,061.0	9.5	1.5	5.6
Abu Dhabi	9,555.97	1.4	0.2	1.5	1,933.32	735,506.8	21.0	2.5	2.4
Saudi Arabia*	11,671.58	(0.8)	(2.9)	(3.0)	8,406.09	2,535,813.2	18.2	2.2	3.9
Kuwait	7,949.20	0.2	(0.1)	8.0	1,789.46	153,517.6	17.8	1.8	3.4
Oman	4,329.63	1.3	0.3	(5.4)	71.59	30,941.1	9.4	0.5	6.4
Bahrain	1,912.20	0.6	0.0	(3.7)	19.27	19,715.6	14.2	1.3	9.7

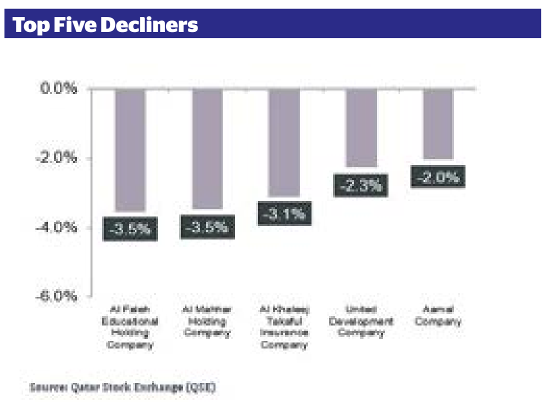
Source: Bloomberg

Qatar Stock Exchange

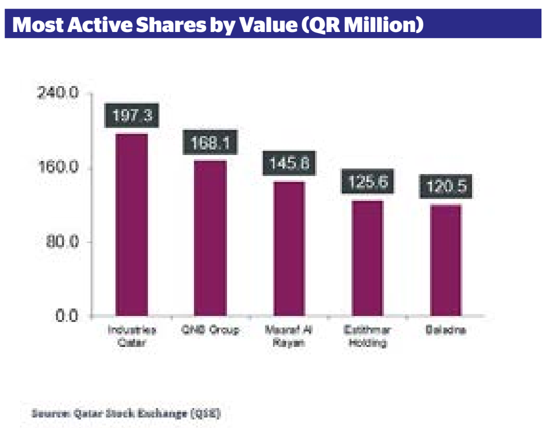
Top Five Gainers



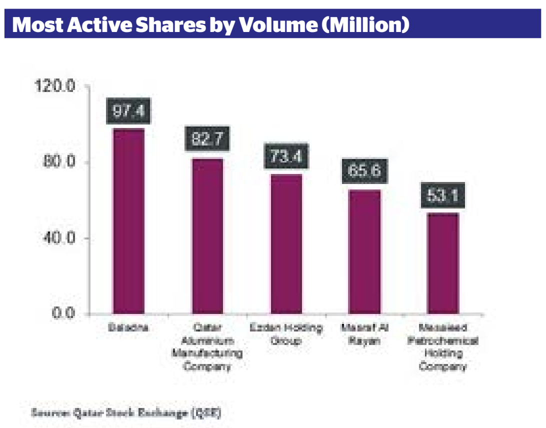
Top Five Decliners



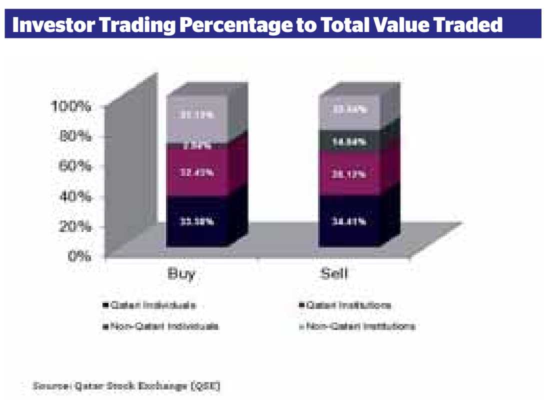
Most Active Shares by Value (QR Million)



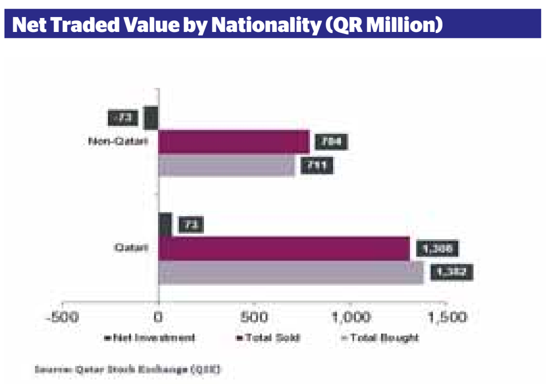
Most Active Shares by Volume (Million)



Investor Trading Percentage to Total Value Traded



Net Traded Value by Nationality (QR Million)



Company Name	Price May 01	% Change Weekly	% Change YTD	Market Cap. QR Million	TTM P/E	P/B	Div. Yield
Qatar National Bank	16.66	2.84	(3.64)	153,879	9.8	1.7	4.2
Qatar Islamic Bank	21.25	3.66	(0.51)	50,212	11.3	1.9	3.8
Commercial Bank of Qatar	4.38	5.04	0.69	17,727	6.4	0.9	6.8
Doha Bank	2.37	2.77	19.24	7,361	8.7	0.7	4.2
Al Ahli Bank	3.66	1.67	6.09	9,337	10.9	1.3	6.8
Qatar International Islamic Bank	10.72	1.13	(1.65)	16,227	13.7	2.2	4.7
Al Rayan Bank	2.23	2.15	(9.34)	20,767	14.2	0.9	4.5
Lesha Bank	1.51	12.72	11.23	1,687	12.1	1.3	3.3
National Leasing	0.73	(0.82)	(7.05)	359	20.7	0.6	4.8
Dlala Holding	1.01	(0.78)	(11.84)	193	N/A	1.1	N/A
Qatar & Oman Investment	0.64	0.94	(8.69)	202	N/A	1.2	N/A
Islamic Holding Group	3.53	(0.23)	(6.63)	200	19.1	1.2	2.0
Dukhan Bank	3.47	0.29	(6.09)	18,162	14.2	1.4	4.6
Banking and Financial Services				**296,312**			
Zad Holding	14.29	(1.11)	0.85	4,107	19.7	3.0	4.9
Qatar German Co. for Medical Devices	1.35	(0.07)	(1.75)	155	N/A	N/A	N/A
Salam International Investment	0.66	2.65	(0.15)	753	12.4	0.5	6.1
Baladna	1.22	(0.33)	(2.25)	2,325	17.3	1.0	N/A
Medicare Group	4.56	(1.30)	0.22	1,283	13.4	1.2	4.3
Qatar Cinema & Film Distribution	2.68	0.00	11.50	168	0.0	1.3	2.7
Qatar Fuel	15.03	(0.66)	0.20	14,944	14.4	1.7	6.7
Widam Food	2.10	(1.96)	(10.60)	378	N/A	3.8	N/A
Mannai Corp.	3.49	(0.60)	(4.01)	1,593	N/A	1.7	7.2
Al Meera Consumer Goods	14.60	(0.07)	0.55	3,008	16.1	1.8	5.8
Mekdam Holding Group	2.81	(1.02)	(7.36)	533	11.3	1.9	N/A
Meeza QSTP	3.03	(1.94)	(7.39)	1,968	31.8	2.9	2.6
Al Faleh Education Holding	0.71	(3.53)	2.16	170	13.7	0.6	2.6
Al Mahhar Holding	2.34	(3.47)	(4.73)	483	N/A	1.3	5.1
Consumer Goods and Services				**31,870**			
Qatar Industrial Manufacturing	2.51	(0.87)	0.08	1,194	8.0	0.6	5.2
Qatar National Cement	3.42	0.50	(14.90)	2,235	15.8	0.8	7.9
Industries Qatar	12.20	0.41	(8.06)	73,810	17.7	2.0	6.1
Qatari Investors Group	1.47	(0.88)	(4.75)	1,821	11.1	0.6	8.9
Qatar Electricity and Water	15.28	3.66	(2.68)	16,808	12.1	1.1	5.1
Aamal	0.82	(2.03)	(3.98)	5,166	11.8	0.6	7.3
Gulf International Services	3.14	4.67	(5.65)	5,835	7.6	1.4	5.4
Mesaieed Petrochemical Holding	1.39	(0.36)	(7.16)	17,438	24.5	1.1	4.1
Estithmar Holding	2.72	(1.09)	60.52	10,185	21.8	1.9	N/A
Qatar Aluminum Manufacturing	1.28	2.31	5.86	7,159	10.4	1.1	6.2
Industrials				**141,652**			
Qatar Insurance	1.93	1.95	(9.09)	6,304	11.2	1.0	5.2
QLM Life & Medical Insurance	1.93	(1.48)	(6.54)	676	10.6	1.0	5.2
Doha Insurance	2.50	(0.83)	0.00	1,250	6.6	1.0	7.0
Qatar General Insurance & Reinsurance	1.20	13.74	4.08	1,050	16.9	0.3	N/A
Al Khaleej Takaful Insurance	2.31	(3.10)	(3.26)	590	7.8	0.9	6.5
Qatar Islamic Insurance	8.38	(0.31)	(3.37)	1,257	8.7	2.1	6.0
Damaan Islamic Insurance Company	4.00	3.41	1.16	800	8.6	1.5	5.0
Insurance				**11,927**			
United Development	1.04	(2.27)	(7.84)	3,665	10.9	0.3	5.3
Barwa Real Estate	2.79	(0.64)	(1.31)	10,868	8.7	0.5	6.4
Ezdan Real Estate	1.00	(0.99)	(5.21)	26,551	157.4	0.8	N/A
Mazaya Qatar Real Estate Development	0.60	(0.66)	2.40	598	N/A	0.6	N/A
Real Estate				**41,683**			
Ooredoo	12.98	0.78	12.38	41,578	11.9	1.5	5.0
Vodafone Qatar	2.34	2.18	27.87	9,891	16.2	2.1	5.1
Telecoms				**51,469**			
Qatar Navigation (Milaha)	11.06	0.55	0.64	12,566	11.1	0.7	3.6
Gulf Warehousing	2.93	(1.58)	(13.06)	172	10.8	0.7	3.4
Qatar Gas Transport (Nakilat)	4.65	0.98	12.03	25,751	15.5	2.0	3.0
Transportation				**38,489**			
Qatar Exchange				**614,984**			

Technical analysis of the QSE index

The QSE Index closed up by 1.8% from last week on lower volumes for the week; it closed at 10,447.6 points. Our thesis has not changed; the Index remains inside the broader flat price-range and moving in no specific direction for the past two years. The Index is close to our resistance around the 10,850 points. The weekly resistance level remains around the 10,850 points level and the support at 10,000 points.

Definitions of key terms used in technical analysis

RSI (Relative Strength Index) indicator – RSI is a momentum oscillator that measures the speed and change of price movements. The RSI oscillates between 0 to 100. The index is deemed to be overbought once the RSI approaches the 70 level, indicating that a correction is likely. On the other hand, if the RSI approaches 30, it is an indication that the index may be getting oversold and therefore likely to bounce back.

MACD (Moving Average Convergence Divergence) indicator – The indicator consists of the MACD line and a signal line. The divergence or the convergence of the MACD line with the signal line indicates the strength in the momentum during the uptrend or downtrend, as the case may be. When the MACD crosses the signal line from below and trades above it, it gives a positive indication. The reverse is the situation for a bearish trend.

Candlestick chart – A candlestick chart is a price chart that displays the high, low, open, and close for a security. The 'body' of the chart is portion between the open and close price, while the high and low intraday movements form the 'shadow'. The candlestick may represent any time frame. We use a one-day candlestick chart (every candlestick represents one trading day) in our analysis.

WEEKLY ENERGY MARKET REVIEW

Oil posts biggest weekly loss in a month as traders remain cautious

www.abhafoundation.org

Oil

Oil prices fell over 1% lower on Friday and recorded for their biggest weekly losses since the end of March, as traders turned cautious ahead of an Opec+ meeting to decide the group's output policy for June. US West Texas Intermediate crude futures dropped 95 cents, or 1.6%, to settle at $58.29 a barrel.

Brent crude futures closed down 84 cents, or 1.4%, at $61.29 a barrel. For the week, Brent fell over 8% and WTI lost about 7.7%.

Oil traders braced for more supply from the group, at a time when fears of an economic slowdown caused by a trade war between the US and China have prompted market experts to lower demand growth expectations for this year.

Traders were also cautious due to the possibility of a de-escalation of the trade dispute between China and the US after Beijing said on Friday it was evaluating a proposal from Washington to hold talks to address President Donald Trump's tariffs.

A threat by Trump on Thursday to impose secondary sanctions on buyers of Iranian oil also helped ease some of the pressure on oil prices, as it could tighten global supply.

Signs of slowing the US oil production growth could also be somewhat supportive for oil prices.

Traders were cautious amid hopes of a US-China trade dispute de-escalation after Beijing said it was reviewing a US proposal for talks on Trump's tariffs. *Picture supplied by the Abdullah bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development.*

Gas

Prices of Asian spot liquefied natural gas (LNG) fell this week to a new one-year low on weak demand and as trade wars raise concerns over long-term Asian demand.

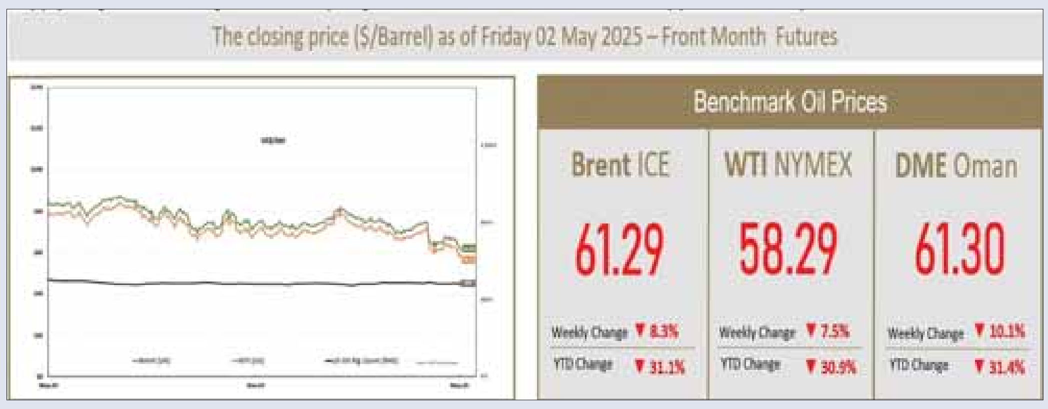
The average LNG price for June delivery into north-east Asia was at $11.00 per million British thermal units (mmBtu), its lowest level since mid-May 2024 and down from $11.80 per mmBtu last week, industry sources estimated. LNG price expectations have been transformed in the last two and a half months. US President Donald Trump's tariff war is set to slow global demand.

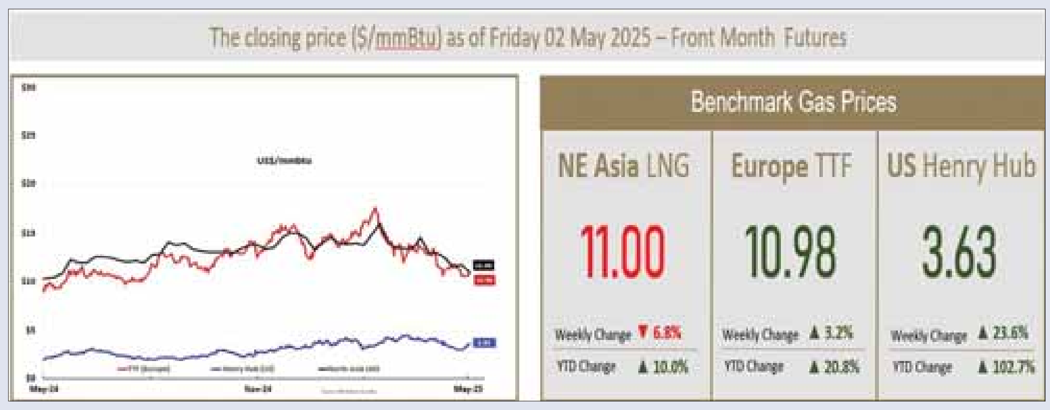
European gas storage targets are weakening and imports into the world's biggest LNG buyer, China, have slumped.

China's demand remains subdued, with LNG imports down 26% in April 2025 compared to April 2024, while imports for January-April this year were down 23% from the year before, analysts said.

In South Korea, buyers are seeking cargoes to refill low storages and there has also been stronger demand from Indian buyers due to low price levels. In Europe, north-west European delivered prices fell, mostly because of new regulations from the German government reducing its own national gas storage targets for this winter to 70% from the existing 90%. This has reduced summer demand expectations.

In the US, natural gas futures climbed about 4% on Friday on a decline in output over recent days and forecasts for more demand this week. For the week, the front-month was up about 24%.





■ *This article was supplied by the Abdullah bin Hamad Al-Attiyah International Foundation for Energy and Sustainable Development.*

US-related external imbalances pose risk in future, says QNB

Significant US-related global economic imbalances exist both in terms of flows (current account deficits) and stocks (cross-asset positions), according to QNB.

The more those imbalances grow, higher are the risks of a disorderly adjustment in the future, QNB said in an economic commentary.

"It is no secret for analysts and investors that US President Donald J Trump has a strong policy preference to reform the current global trading and financial system.

For decades, even before becoming a politician, Trump has been vocal about his negative views on large US current account deficits and the country's net debtor position against the rest of the world, also supporting the re-shoring of manufacturing to his country," QNB noted.

During his first term as president (2017-2021), however, Trump did not act too aggressively to transform his policy preferences into government action.

The US president was then constrained by administrative roadblocks, less political capital and experience, and more reliance on mainstream advisers that held traditional views about trade and finance.

In a more decisive break from the post-war liberal consensus on free trade, President Trump's 2025 agenda seems to embrace his "mercantilist" or "protectionist" vision that casts global commerce as a battleground for national wealth appropriation and accumulation.

At the heart of this reorientation is a very particular diagnosis that the country's external imbalances are the result of asymmetric economic relationships, i.e., unreciprocated market access, persistent foreign subsidies, intellectual property theft, and the burdens of underwriting "global public goods," from reserve currency provision to military security.

It is within this framework that the so-called "Liberation Day" of April 2nd should be interpreted, partially helping to explain the policy rationale of introducing a minimum baseline tariff of 10% on all US imports and additional "reciprocal" tariffs against selected trade partners, such as China.

In addition, this came on top of other sectoral tariffs. While several exemptions have been already announced after the fallout of "Liberation Day" on major US asset classes, US tariffs are regardless at multiples from the norms over the last four generations.

In order to better understand the challenges that Trump's tariff policies are trying to address, QNB is looking into the overall magnitude and size of US external imbalances.

In QNB's view, two main factors explain US vulnerabilities and help to explain why some policy groups believe it may be time to take high risks in trying to mitigate them.

First, the US current account balance, which measures the flow of goods, services, income, and current transfers of a country with the rest of the world, presents large structural deficits. In fact, over the last 48 years, the US managed to record surpluses in only three of all those years, and none since 1991.

Importantly, after a significant improvement on the current account deficits as a percentage of GDP after the Global Financial Crisis (GFC) and the Shale Revolution from 2007-2019, deficits have widened again after the pandemic.

Nominal deficits reached $1.1tn last year and expressed a negative balance across all the main components of the current account except for services (travel, education, financial services). This means that, taken together, US households, corporates and government are consuming more than they produce, requiring external financing.

The continuation of this dynamics can increase the US vulnerability to capital flows and to investment decisions from non-residents. Second, the multi-decade accumulation of current account deficits has also created a significant imbalance in the net international investment position (NIIP) of the US, i.e., the balance between the assets abroad held by US residents versus assets held by non-residents in the US.

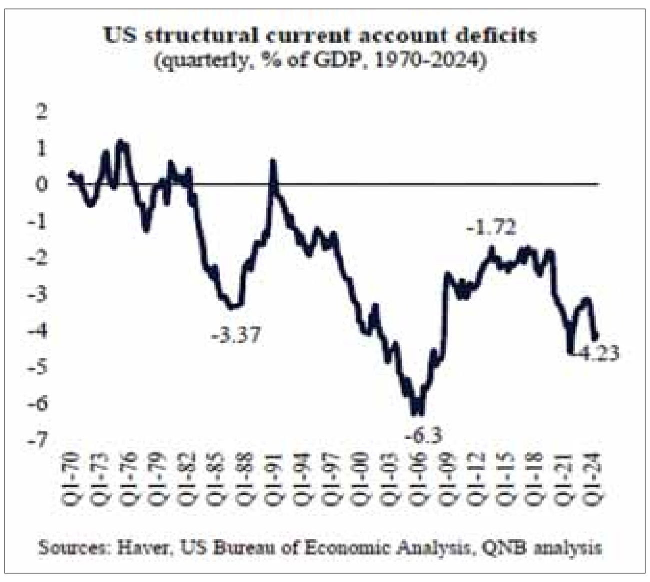
In other words, the US is currently a large net debtor to the rest of the world, and particularly to successful manufacturing powers, such as Germany, Japan and China. The picture has also been deteriorating sharply, as the NIIP of the US progressed from a marginal negative figure of around 9% of GDP at the start of the GFC to 88% of GDP by the end of last year.

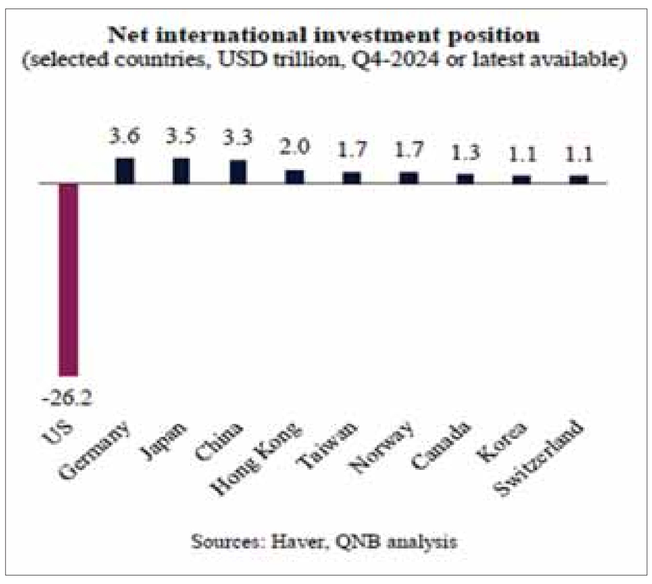
This suggests that the US is by far the country where most global economic imbalances tend to concentrate. Over time, this level of cross-exposure could become uncomfortable to both creditors and debtors, requiring an adjustment.

"All in all, there are significant US-related global economic imbalances both in terms of flows (current account deficits) and stocks (cross-asset positions). The more those imbalances grow, higher are the risks of a disorderly adjustment in the future.

"While Trump's tariff policies seem to have been designed to at least partially address those issues, the ongoing and accumulated imbalances are so large that unilateral or bilateral measures are unlikely to work in terms of delivering a smooth adjustment.

Just like with other major responses to large global challenges in the past, the optimum policy direction for those issues is likely to require a good level of global co-ordination and co-operation," QNB added.





Opec+ agrees another accelerated output hike for June

Reuters
London

Opec+ has agreed to accelerate oil production hikes for a second consecutive month, raising output in June by 411,000 barrels per day, the group said yesterday, despite falling prices and expectations of weaker demand.

Following an online meeting lasting just over an hour, the producer group announced the supply increase, saying the fundamentals of the oil market were healthy and inventories were low.

Oil prices fell to a four-year low in April below $60 per barrel after Opec+ announced a bigger-than-expected production boost for May, and as US President Donald Trump's tariffs raised concerns of global economic weakness.

Opec+ sources have said Saudi Arabia is pushing Opec+ to accelerate the unwinding of earlier output cuts to punish fellow members Iraq and Kazakhstan for poor compliance with their production quotas.

The hikes also follow calls from Trump on Opec+ to raise output. Trump will visit Saudi Arabia later in May.

In December, eight Opec+ countries that have been implementing the group's most recent output cut of 2.2mn bpd agreed to gradually phase it out in monthly increases of about 138,000 bpd from April 2025.

The June increase from the eight will take the total combined hike for April, May and June to 960,000 bpd, representing a 44% unwinding of the 2.2mn bpd cut, according to Reuters calculations. Brent crude futures lost more than 1% on Friday to $61.29 a barrel as traders braced for more oil from Opec+.

Oil prices will fall on Monday due to the Opec+ news amid trade tensions and concerns about economic growth, said UBS's analyst Giovanni Staunovo.

"We continue to call this a 'managed' unwind of cuts and not a fight for market share", he said.

Reuters reported this week that officials from Saudi Arabia, have briefed allies and industry officials that they are unwilling to prop up oil markets with further supply cuts.

"Compliance again appears to be the key focus, with Kazakhstan and Iraq continuing to miss their compensation targets, alongside Russia to a lesser extent," said Helima Croft of RBC Capital Markets.

Kazakhstan defied Opec+ this month when its energy minister said he will prioritise national interests over those of the Opec+ group when deciding on oil production levels.

Biggest dollar slump since 2022 hints at more losses ahead

Bloomberg
New York

The dollar posted its worst month in April since 2022 after global investors cut back on US assets, with options markets still flashing warning signals.

A gauge of the greenback is down around 4% in April, the result of a selloff in both US stocks and Treasuries as President Donald Trump's chaotic tariff rollout rocked global markets. Options show sentiment over the next year is the most negative on the dollar since 2020, creating strong demand for protection from further losses.

This fallout from the tariff turmoil has got investors questioning whether the dollar — the world's reserve currency — is still the safe haven it used to be. That argument was given impetus by the greenback losing further ground this week, even when bank models pointed to end-month buying by companies and asset managers to rebalance their exposure.

"Market action in April looks less like a 'normal deleveraging' and more like a quiet exodus of domestic and foreign real money from the US," said Kevin Thozet, a member of the investment committee at Carmignac.

The mayhem in April has exposed the risks that come with pouring so much money into dollar assets. The end of the month is when asset managers take stock and adjust holdings based on performance, while exporters manage their exposure, triggering significant flows in the $7.5tn-a-day currency market.

This time around, with US assets underperforming, they were expected to purchase dollars. Models from Barclays Plc and Credit Agricole SA had flagged the likelihood of dollar buying.

The flows on Monday — a key day given it can take two days to settle deals — were positive, according to market participants, with one pointing to corporate buying through their bank alone of around $5bn. Even so, the dollar still fell 0.5% on Monday and is heading for a loss this week, suggesting any end-month buying has been drowned out by sellers. Under typical conditions, such flows might have lifted the greenback. Their limited impact this time suggests a possible shift in market behaviour. "There could be broader, structural forces at work here that longer-term investors should be aware of — specifically whether we are looking at the end of US exceptionalism or a general 'de-dollarisation' theme in markets," said David Chao, global market strategist at Invesco Asset Management, which oversees more than $1.8tn in assets.

As a first snapshot of the ripple effects from trade policies, the US economy contracted at the start of the year for the first time since 2022 on a monumental pre-tariffs import surge, further undermining US exceptionalism.

"While a lot more is known about tariffs than even a few weeks ago, uncertainty remains very high and we are only beginning to see the impacts of this uncertainty flow through to hard data," said Nathan Thooft, a senior portfolio manager at Manulife Investment Management.

While many banks have models for how end-month flows might affect currencies, market participants say these have become less reliable since the pandemic. Demand for dollars from US companies could still trigger a "snap back" in the currency in the coming weeks, though gauging when and at what level this might happen was "more of an art rather than a science," said Francesca Fornasari, head of currency solutions at asset manager Insight Investment.

"Usually, when you've had a big move lower in the dollar, you would have expected that US corporates would come in and actually start to buy some dollars. Based on the numbers that we look at, that hasn't really happened," she said. "You can understand why it hasn't happened because the move in the dollar has been so sharp."