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MONETARY POLICY | Page 4

Fed official says crucial to anchor inflation expectations

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China's exports top forecasts helped by global rush to beat tariffs




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‘Prime office rents will need to increase from current levels’ as economy poised to expand fast, says CWQ

By Santhosh V Perumal
Business Reporter

Prime office rents will need to increase from the current levels with economy poised to expand fast, which also exerts pressure to grow for new office development in prime areas, according to Cushman and Wakefield Qatar (CWQ).

“As the economy grows, we expect the case for new office development in prime locations to emerge,” CWQ said in its latest report, adding to justify new development, prime office rents will need to increase from current levels.

Quoting the latest GDP (gross domestic product) data, CWQ said it confirms that the Qatari economy picked up at the end of last year as GDP grew by 6.3% year-on-year in the fourth quarter of 2024, owing to a supportive base and implying 2.6% expansion last year, above a 1.9% projection.

Ahead of the escalation in tariffs introduced by the US administration in April, Oxford Economics had raised its 2025 GDP growth forecast for Qatar to 2.6% and further to 5% in 2026.

The upgrade to their near-term outlook reflected “better-than-expected” growth at the end of 2024 and positive activity indicators at the start of this year.

The report highlighted that after several years of oversupply, the pipeline of new office development in Doha is “minimal”.

While the availability of prime office space has reduced, this has yet to be reflected in rental growth across the board, it said, adding Prime CAT A office space typically



Quoting the latest GDP data, Cushman and Wakefield Qatar said it confirms that the Qatari economy picked up at the end of last year as GDP grew by 6.3% year-on-year in the fourth quarter of 2024, owing to a supportive base and implying 2.6% expansion last year, above a 1.9% projection

commands rents between QR100 and QR140 per sq m per month, with larger floorplates of more than 1,000sq m usually available for less than QR100 per sq m per month.

Supply of modern office buildings in Lusail, West Bay, The Pearl Island and Msheireb Downtown has reached 3mn sq m; representing approximately 55% of all purpose-built office supply in Doha.

The recent increase in the take-up of offices in prime areas has seen Grade A office availability fall to 10%, it said, adding overall availability in the office sector is estimated to be closer to 20%.

Outside of West Bay, Lusail

and Msheireb Downtown, the office market is relatively subdued, which is reflected in the lack of take-up and the quoted rents for available space.

Office space in secondary locations can be secured for as little as QR50-60 per sq m per month, reflecting the high vacancies and low demand in some of these areas. In many older buildings, rents are inclusive of service charge contributions.

Recent activity remains dominated by government bodies acquiring office space in Lusail and West Bay, with more than 150,000sq m being leased in the past eighteen months. To reduce reliance on the public sector for

office demand, Qatar has been promoting the growth of private sector through various initiatives.

The Web Summit successfully inaugurated its Qatar edition in 2024 and held its second conference in February of this year. The first two Web Summit events have reportedly seen several companies, particularly those in e-commerce, payment solutions, and digital marketing, laying the groundwork for setting up in Qatar. In February 2025, HSBC joined a growing list of companies that announced relocating to MDD or Msheireb Downtown.

The bank, which is moving headquarters to MDD, will occupy about 3,000sq m.

QCB issues treasury bills worth QR2.9bn

The Qatar Central Bank (QCB) issued treasury bills with maturities of 7, 21, 84, 175, 273, and 336 days, worth QR2.9bn.

The QCB issued QR500mn for 7 days (new issue), with a rate of 4.610 percent; QR500 million for 21 days (tap issuance) with a rate of 4.618 percent; QR500mn for 84 days (tap issuance), with a rate of 4.56%; QR500mn for 175 days, (tap issuance), with a rate of 4.367%; QR500mn for a period of 273 days (new issue) with a rate of 4.265%; and QR400mn

for 336 days (tap issuance), with a return of 4.23%. The total bids received for the QCB treasury bills amounted to QR10bn.



The total bids received for the Qatar Central Bank treasury bills amounted to QR10bn

US, Switzerland agree to speed up tariff talks

AFP
Geneva

Switzerland and the US agreed yesterday to speed up negotiations towards a deal on averting further tariffs planned by Washington, the Swiss president said after talks with top US officials.

As part of US President Donald Trump's global tariffs offensive unleashed on April 2, his administration has threatened to impose a 31% levy on Swiss exports to the US.

Such a move would be catastrophic for major sectors of Switzerland's economy including manufacturing and watchmaking. For now, Washington is imposing 10% tariffs on goods coming from Switzerland and much of the rest of the world.

US Treasury Secretary Scott Bessent and China's Vice-Premier He Lifeng are meeting in Geneva this weekend in an attempt

to cool the trade war between the world's two biggest economies. That gave Swiss officials the opportunity to hold their own negotiations on Trump's tariffs.

President Karin Keller-Sutter, who is also the finance minister, and Economy Minister Guy Parmelin held talks with Bessent and US Trade Representative Jamieson Greer.

“We expect from the US side that we are really treated equally,” Keller-Sutter said after the meeting. “We can’t understand that we have been inflicted 31% and the European Union 20%,” she told a press conference, when Switzerland “doesn’t charge any industrial tariffs at all, we are at zero”.

“We also would like to accelerate the talks with the US authorities so that we can find a solution very quickly. This is also in the interests of both countries,” she said. The Geneva talks came a day after Britain reached a deal with the US avoiding the worst of the new levies.

QSE key index gains 72 points; M-cap adds QR3.61bn

By Santhosh V Perumal
Business Reporter

WEEKLY REVIEW

Investors pinned hopes on the proposed US-China trade talks as the Qatar Stock Exchange (QSE) closed this week on a higher note with its key index gaining as much as 72 points and capitalisation add in excess of QR3bn.

The foreign institutions were increasingly net buyers as the 20-stock Qatar Index settled 0.69% higher this week which saw Al Mahhar Holding Company evaluate two potential acquisition opportunities as part of its strategic growth agenda.

The transport, real estate, banks and telecom counters witnessed higher than average demand this week which saw Fitch, a global credit rating agency, forecast Qatar to see a fiscal surplus of 2.5% and debt/GDP (gross domestic product) to remain broadly stable at 49% in 2025.

The Arab retail investors were seen net buyers in the main bourse this week which saw the Qatar Central Bank maintain status quo in its interest rates, mirroring the US Federal Reserve's decision.

The local individuals' weakened net profit booking had its influence on the main bourse this week which saw a Qatar Financial Centre report that said Islamic finance assets in the country reached QR694bn by the end of 2024, with Islamic banking and sukuk making up 97% of the total.

More than 60% of the traded constituents extended gains to investors in the main market this week which saw a total of 0.1mn AlRayan Bank-sponsored exchange traded fund QATR worth QR0.22mn trade across 45 deals.

The Gulf individuals' lower net selling had its marginal effect on the main bourse this week which saw as many as 927 Doha Bank-sponsored exchange-traded fund QETF valued at QR0.01mn change hands across seven transactions.

However, the domestic funds were seen net profit takers in the main market this week which saw no trading of sovereign bonds and treasury bills. The foreign individuals' increased net profit booking had its



The foreign institutions were increasingly net buyers as the 20-stock Qatar Index settled 0.69% higher this week

impact on the main bourse this week which saw Lesha Bank's subsidiary Lesha Capital receives an “in-principle” approval from Saudi Arabia's Capital Market Authority to manage investments and operate funds and advising.

The Islamic index was seen gaining slower than the other indices of the main market this week, which saw Elsewedy Cables Qatar, a subsidiary of Aamal Company, sign a QR1bn contract with Qatar General

Electricity and Water Corporation. Market capitalisation added QR3.61bn or 0.59% to QR618.59bn on the back of mid and small cap segments this week which saw the industrials and banking sectors together constitute more than 61% of the total trade volumes.

Trade turnover and volumes were on the decline in both the main and ventures markets this week.

The Total Return Index was up 0.69%, the All Islamic Index by 0.59%

and the All Share Index by 0.71% this week. The transport sector index surged 4.05%, realty (1.1%), banks and financial services (1.07%) and telecom (0.74%); whereas industrials declined 1.17%, insurance (1.07%) and consumer goods and services (0.11%) this week.

Major movers in the main market included Vodafone Qatar, Lesha Bank, Nakilat, Doha Bank, Qatar General Insurance and Reinsurance, QNB, AlRayan Bank, Dukhan Bank, Qatari German Medical Devices, Salam International Investment, Widam Food, Qamco, United Development Company, Mazaya Qatar and Milaha this week.

Nevertheless, Beema, Inma Holding, Qatar Insurance, Qatar Electricity and Water, QIIB, Ooredoo, Mannai Corporation, Qatari Investors Group and Industries Qatar were among the shakers in the main bourse. In the venture market, Techno Q saw its shares depreciate in value this week.

The foreign institutions' net buying increased noticeably to QR156.83mn compared to QR109.19mn the week ended May 1.

The Gulf institutions turned net buyers to the tune of QR20.26mn

against net profit takers of QR3.91mn the previous week.

The Arab retail investors were net buyers to the extent of QR3.04mn compared with net sellers of QR23.15mn a week ago.

The Qatari individual investors' net selling declined substantially to QR41.31mn against QR91.98mn the week ended May 1.

The Gulf retail investors' net profit booking eased marginally to QR3.6mn compared to QR3.77mn the previous week.

However, the domestic institutions turned net sellers to the tune of QR133.42mn against net buyers of QR14.98mn a week ago.

The foreign individual investors' net selling expanded perceptibly to QR1.81mn compared to QR1.3mn the week ended May 1.

The Arab institutions had no major net exposure.

The main market saw a 3% fall in trade volumes to 905.37mn shares, 6% in value to QR1.96bn and 12% in deals to 88,298 this week.

In the venture market, trade volumes plummeted 86% to 0.02mn equities, value by 87% to QR0.05mn and transactions by 64% to 16.



Hedge fund’s \$30mn pay shows race for Japan rates traders

Bloomberg
Tokyo

Talent war is intensifying in the yen rates space, as banks and hedge funds snap up seasoned traders after the biggest market swings in years inflicted widespread losses.

Some market players are offering multi-million dollar packages to lure yen rates traders, following a sudden Trump-inflicted selloff which drove Japan's bond yields to a two-decade high. The flurry of new hires builds on a spate of recruitments that began before the central bank started raising interest rates last year.

The turnover has been rapid in recent weeks: BlueCrest Capital Management's Makoto Harimoto is set to join Modular Asset Management as a portfolio manager to help expand its Japan business. Ron Choy has also left BlueCrest for Chicago-based Balyasny Asset Management after being offered a roughly \$30mn package, while Capula Investment Management and Dymon Asia Capital hired seasoned derivatives traders from Deutsche Bank AG and Barclays Plc, respectively.

The ructions in the bond market in April

jolted many rates traders who came of age during the years when the Bank of Japan (BoJ)'s low-rate policy capped yields. The losses added to the incentive for some of the most established traders to start anew, instead of staying put to cover deficits before earning the bonuses that make up the bulk of their pay packages.

"Hedge funds remain eager to hire yen rates traders," said Yoshiaki Kumazawa, a director at recruiter Morgan McKinley. When it comes to traders with a proven track record, "supply is not keeping up with demand."

More moves may be in the pipeline: Some seasoned traders whose expertise includes yen rates have received multiple approaches by potential employers in recent months.

Among the recent moves, Capula Investment recruited Deutsche Bank's Masahiko Maihara, while Singapore-based Dymon Asia Capital has hired Barclays' Shumei Kameyama. Both have years of experience in trading derivative contracts linked to yen rates.

Banks are in search of talent as well. Marcus Yuki Sato joined Barclays in Tokyo from Deutsche Bank in March to sell yen rates products to hedge funds and

other international clients. This came after the UK lender recruited veteran yen rates trader Yoichi Takemura from US hedge fund firm Garda Capital Partners LP in January. Bank of America Corp. hired Shuya Sakamoto, who was Barclays' head of yen swap trading, for a senior role in its Japan securities unit.

The demand for talent is so great that some hedge funds are willing to give traders who lost their jobs during the August turmoil a second chance. Yosuke Motegi recently started as a portfolio manager at Hong Kong-based Polymer Capital Management, reuniting with his BlueCrest mentor Chiga Murayama. Both men left Michael Platt's private investment firm in the wake of the August rout, and in Motegi's case, a few months after joining.

The demand for skilled traders has intensified after the yen rates market witnessed some of its biggest moves in years. Going into mid-March, market players had widely wagered that the yield curve would flatten as the BoJ continued to raise interest rates. Most of them were saddled with losses after the yield curve steepened sharply instead, after the US rolled out so-called reciprocal tariffs and investors speculated Japan's authorities would un-

veil an extra budget to counter the impact of the levies.

Traders were concerned that additional government spending could worsen the nation's already-heavy debt load. By mid-April, the premium that investors demand to hold Japan's 30-year government bonds over five-year notes had widened to the most since May 2002.

The JGB curve kept steepening last month, and the moves were so dire that market players were forced to cut their risk, exacerbating price declines, according to a trader at a buy-side firm, who described the chaos and panic on the trading floor. The outsized price swings resulted in departures at some firms, including New York-based ExodusPoint Capital Management. The volatility marked the second major test since the BoJ started hiking rates last year, after a rapid unwind of yen carry trades sent shockwaves across global markets in August.

There are reasons to believe that there may be more turmoil ahead. For one, it's still unclear how President Donald Trump's tariff policy will evolve and the risks are likely to spur further volatility. In addition, the shift of capital away from the US may result in more money finding

its way to Japan's shores, and this will help to stimulate trading activity.

"Being an Asia specialist, Japan is a core market," said Modular Asset Management Chief Investment Officer Jimmy Lim. "The trading opportunities will continue to grow," he added, citing drivers such as the return of inflation, potential BoJ rate hikes and geopolitical dynamics.

Higher long-end yields will prompt Japanese players — such as life insurers, pensions and regional banks — to consider domestic bonds rather than US debt for investments. There is also an increased need to finance fiscal and defence spending. Both will make relative-value trading more lucrative, Lim said, adding that Modular will keep expanding its Japan footprint when the right talent comes along.

Relative value trades may include bets on the shape of the yield curve, basis trades pairing wagers on cash bonds versus futures as well as positions that aim to profit when currency, rates and equity markets move out of whack.

The market "is highly volatile, and there is a polarisation between winners and losers," said Morgan McKinley's Kumazawa. Yet "there are no signs of abating investment appetite."

ECB official favours a rate cut in June if justified by forecasts

Bloomberg
Helsinki

The European Central Bank (ECB) should cut its interest rate next month if its new forecasts confirm an outlook of disinflation and waning growth momentum, according to Governing Council member Olli Rehn.

Speaking in Helsinki yesterday, the Finnish central bank governor signalled his openness to an eighth reduction at a time when US tariffs are presenting policymakers with "exceptional uncertainty."

"Against this background of disinflation on track and growth having weakened, in case this is going to be confirmed in our June forecast, then in my view in order to achieve our 2% symmetric inflation target over the medium term, the right reaction in monetary policy is to cut rates," Rehn said.

While markets are betting on two to three additional reductions in borrowing costs this year, policymakers have been more hesitant to commit. Before specifying his view on the outlook, Rehn reiterated the ECB's stance that the "Governing Council is maintaining full freedom of action in monetary policy," and he went on to insist that nothing is set in stone.

"We are data dependent and we take decisions at each meeting," he said. "I don't say anything more at this stage because I want to see the data and the roadmap economic projection exercise of June first before taking any decisions." In March, the ECB projected 0.9% growth this



Olli Rehn, Governing Council member of the European Central Bank.

year, followed by 1.2% and 1.3% in 2026 and 2027.

In April, Chief Economist Philip Lane told Bloomberg that trade tensions had darkened the outlook, but that it's "important to say it is a markdown to a little bit less" as the economy is still growing.

Since then, the economy showed unexpected resilience with a first quarter growth outcome of 0.4% — double the previous period's gain. A revised estimate will be released next week.

Earlier, Rehn described the difficulty for ECB officials in forecasting and setting policy during testing times.

"Recent data has shown signs of recovery in the euro area, but the outlook remains clouded by exceptional uncertainty due to President Trump's trade war," he said. "We will adjust our rates to bring inflation to 2% in the medium term — just as our strategy tells us to do."

Rehn also said: "European industry must strengthen its technological capabilities. Cutting-edge research and innovation, and investment in areas like AI, will be crucial." "Europe's Savings and Investment Union needs to be advanced." "The US dollar may remain the world's leading reserve currency at the centre of

the global financial system. But many investors are keen to diversify their portfolios to euro-denominated assets, which will also strengthen the international role of the euro."

"The price of energy is a considerable burden to European competitiveness."

"The EU should rapidly create a special visa program for top researchers seeking intellectual freedom without political pressure. We must highlight Europe's universities where critical thinking is encouraged and academic liberty protected. This is an investment in Europe's future prosperity and influence."

US Treasury yields rise as Fed’s wait-and-see message sinks in

Bloomberg
Washington

US Treasury yields rose yesterday as traders pared bets on interest-rate cuts from the Federal Reserve after Chair Jerome Powell said he won't be rushed into lowering borrowing costs.

The policy-sensitive two-year rate climbed four basis points to 3.82%, narrowing the gap with its 10-year peer to 48 basis points, near the smallest level in a month. S&P 500 futures rose as President Donald Trump said the US has secured what he described as a comprehensive trade agreement with the UK, marking the first of his promised deals with countries around the world.

Treasuries initially gained following the Fed decision Wednesday, after policymakers warned that trade-related uncertainty could lead to stagflation. But on Thursday, attention turned to Powell's emphasis on holding rates steady until there is more certainty on the direction of trade policy. A drop in the weekly tally of new jobless claims supported Powell's observation that the labour market remains resilient amid the trade uncertainties.

"The Fed is firmly non-committal about the path forward," said Susan Hill, a senior portfolio manager at Federated Hermes in Pittsburgh. "It's appropriate to still be looking at maybe the third quarter before we see action from the Fed."

Fed officials voted unanimously to keep the benchmark federal funds rate in a range of 4.25-4.5%, where it has been since December. Swaps priced in a 16% chance of a quarter-point rate cut at the next meeting in June, compared to about 30% on Tuesday and more than 50% a week ago. Markets continued to bet on three reductions this year, which would bring rates to a range of 3.5-3.75%.

In a statement, policymakers

said they see a growing risk of both higher inflation and rising unemployment. Trump's trade policy has unleashed a wave of uncertainty across the economy. While the levies are still being negotiated, economists widely expect the expansive tariffs to boost inflation and weigh on growth.

"The idea of preemptive cuts is not on the table, which means they may end up being a little bit late to whatever happens," said David Rogal, portfolio manager, fundamental fixed income group at BlackRock. "There's just a lot of uncertainty in both directions."

Trump criticised the Fed's policy stance again on Thursday, saying there's virtually no inflation in the US and that Powell "doesn't have a clue." The president has been calling for the central bank to lower interest rates to boost the economy, and has even suggested he could remove the Fed Chair before the end of his term.

"Powell definitely gave a whiff of sort of stagflationary risks, but because of the political noise around it at the moment, he was very careful not to say anything inflammatory," said Neil Sutherland, portfolio manager at Schroder Investment Management. "It's really difficult for them to make a big call one way or the other."

Pimco's Chief Investment Officer Dan Ivascyn said in an interview with the Financial Times that the probability of a US economic recession is the highest it's been in a few years. The firm has made small increases to its US Treasury holdings over the previous two months, focusing on short maturities.

"With the outlook clouded by tariff uncertainty, we expect the Fed to maintain a wait-and-see approach, seeking greater economic and policy clarity before making any major policy moves," said Mark Haelele, chief investment officer at UBS Global Wealth Management. He forecasts 100 basis points of rate cuts from the Fed starting in September.

US banks stuck with \$6bn in debt ready to lure back investors

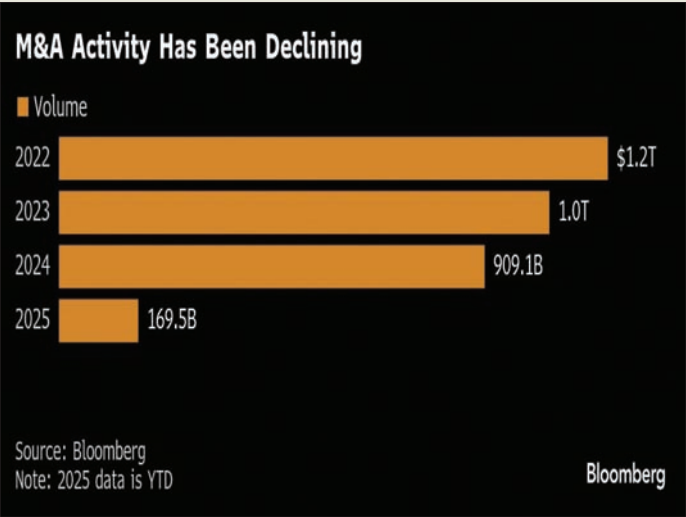
Bloomberg
New York

As credit markets thaw and mergers pick back up, Wall Street bankers will get a chance to pitch to investors the nearly \$6bn in buyout-related debt they couldn't sell during April's trade turmoil. More than two dozen banks were stuck with acquisition financing left on their books after failing to find buyers before deals closed — known as "hung" debt in industry vernacular. The handful of junk deals announced over the past week will be a key test of investor appetite.

A \$4.3bn junk debt offering launched last week to support Apollo Global Management Inc's acquisition of a suite of gaming and gambling products will be among closely watched deals currently being marketed. At the same time, banks are underwriting new deals, including a \$6.5bn financing package for private equity firm 3G Capital's purchase of Skechers. Some of the lenders left with

acquisition-related debt could come to market soon, perhaps as soon as after Memorial Day, people familiar with the matter said. The deals that launched over the past week or two are a litmus test for the others that are still glued to bank balance sheets. The latest tally of hung debt includes \$2.35bn supporting the buyout of Patterson Cos by Patient Square Capital and a \$1.1bn leveraged loan supporting HIG Capital's purchase of Toronto-based Converge Technology Solutions Corp. There is also \$2.23bn from Canadian auto parts maker ABC Technologies Holdings Inc's acquisition of British counterpart TI Fluid Systems Plc, which may be more difficult to resurrect given how tariff policies may affect their businesses.

Representatives for banks leading the hung deals — Citigroup Inc, UBS Group AG, JPMorgan Chase & Co and Bank of Montreal — either declined to comment or did not respond to requests for comment. For the companies involved in those transactions,



only a Converge representative responded to say the acquisition had closed. Relaunching slivers of hung debt is cold comfort to a set of bankers and investors who have been waiting years for an anticipated boom in M&A deal activity to occur. The exposure also represents a risk for the banks as

they may eventually have to sell the bonds and loans at a discount — assuming buyers can be found. President Donald Trump's April 2 tariff announcements slammed the door on non-investment-grade companies, with no deals for nearly two weeks. That turned a years-long slowdown in M&A into a mixed

blessing for lenders. While a major revenue source for investment banks, the light underwriting pipeline of M&A deals fortunately capped the amount of debt they would have had to sell down, or otherwise be stuck funding with their balance sheets.

"This wave of volatility has been unique," said Chris Bonner, head of US leveraged finance at Goldman Sachs Group Inc. "Most of the time, we go into volatility with the same fact pattern; banks are long on risk that needs to come to market in short order and investors are short on cash." With M&A activity tamped down, "banks' risk levels are about half of what they normally are," Bonner said.

In 2022, when rapid interest-rate hikes were pummeling credit markets, banks were facing more than \$40bn in hung debt. Despite the threat of more hung deals, banks have kept underwriting new transactions as Trump walked back some of his tariff policies. There was the recent Skechers

acquisition that banks agreed to finance and a few other deals announced in April with bank-led debt.

"We're very much open for business," said John Skrobe, Barclays Plc's US head of leveraged finance. "In 2022, the music just stopped." That doesn't mean investors are willing to finance debt deals at the same price they were accepting in March. But, for the right kind of transaction they'll come back to the table.

One big junk deal that priced during April's tumult, a \$4bn offering for QXO Inc's acquisition of Beacon Roofing Supply Inc, was met with such high demand that investors were willing to front another \$500mn. A golf company called Arcis Golf LLC was able to raise \$200mn in just a couple of days.

"There's clearly a desire and a need for it," said Scott Caraher, the head of senior loans at TIAA-owned investment manager Nuveen. "We want to look at new deals."

China's exports in April top forecasts helped by global rush to beat tariffs

Reuters
Beijing

China's exports beat forecasts in April, buoyed by demand for materials from overseas manufacturers who rushed out goods to make the most of US President Donald Trump's 90-day tariff pause.

The world's two largest economies have been locked in a bruising tit-for-tat tariff war and businesses on both sides of the Pacific will be looking for some kind of resolution at closely watched trade talks in Switzerland this weekend.

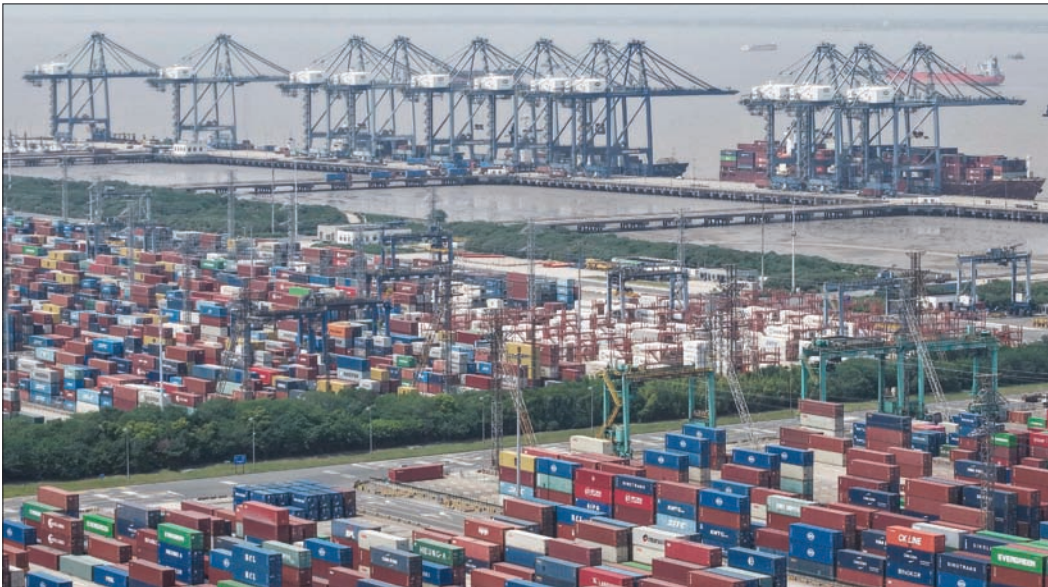
Customs data on Friday showed outbound shipments from China rose 8.1% year-on-year in April, beating a forecast 1.9% increase in a Reuters poll of economists but slowing from the 12.4% jump in March.

Trump announced sweeping "reciprocal tariffs" of 10% on April 2, before offering a pause for most countries while the White House worked on multiple trade deals. China, however, was excluded from the reprieve and singled out for levies of 145%, kicking off a protracted cat-and-mouse game that has rattled global markets and upended supply chains.

Chinese manufacturers had also been front-loading outbound shipments in anticipation of the duties, but are now banking on ice-breaker tariff talks between American and Chinese officials in Geneva on Saturday.

Imports fell 0.2%, compared with expectations for a 5.9% drop, suggesting domestic demand may be holding up better than expected as policymakers continue to take steps to prop up the \$19tn economy.

"The Asean countries are speeding up their production to meet the July deadline, the 90-day negotiation break. Their



Shipping containers are stacked at a port in Shanghai. China's exports beat forecasts in April, buoyed by demand for materials from overseas manufacturers who rushed out goods to make the most of US President Donald Trump's 90-day tariff pause.

production is highly reliant on China's exports in raw materials and industrial inputs, so China's exports got support," said Dan Wang, China director at Eurasia Group.

"Over the next two months, China's exports could continue to be strong due to industrial capacity relocation, but the trade data could deteriorate quite quickly if the 145% tariffs on China are still in place and Asean countries' talks (with the Trump administration) don't make progress," she added.

Exports to Southeast Asian countries rose 20.8% in April.

China's exports to the US, meanwhile, fell 21%. That meant the trade surplus with the US dropped to \$20.5bn from \$27.6bn in March, a win for Trump, who has repeatedly said he wants to narrow the gap.

Beijing cannot afford a trade war with the US but sees Trump's tariffs as unwelcome interference, with officials wanting to implement the painful domestic reforms needed to shore up long-term growth at their own pace.

If not lowered or removed, the tariffs could deal a heavy blow to China's economy, which has relied on exports to drive growth as it struggles to recover from the pandemic shocks and a protracted property market slump.

"The damage of the US tariffs has not shown up in the trade data for April," said Zhiwei Zhang, chief economist at Pinpoint Asset Management. "I expect the trade data will weaken in the next few months gradually." "Hopefully, the trade negotiations between China and the US can reach agreement soon and bring down tariffs to mitigate the shock to global trade," he added.

Beijing has in the past few months reiterated its confidence that China could achieve the "around 5%" growth target for the year, and rolled out

measures to bolster consumption and support the country's exporters.

A slew of monetary stimulus measures, including liquidity injections and cuts to policy rates, was announced on Wednesday in a bid to ease tariff hits on the economy.

For now, the trade sector's momentum is still riding on the global scramble to make the most of Trump's brief tariff relief.

China's steel exports topped 10mn metric tonnes for a second straight month in April, as top customers like South Korea and Vietnam bought in bulk to outrun the tariffs, which analysts expect to disrupt China's lucrative trans-shipment trade.

With global copper producers rushing stocks to the US after Trump proposed slapping levies on the metal, China's imports of unwrought copper and copper products remained unchanged last month.

Asian stocks rise on hopes for US-China talks after UK deal

AFP
Hong Kong

Most Asian equities rose yesterday on growing optimism that the worst of Donald Trump's trade war is past after he reached a deal with Britain and suggested he could lower tariffs on China as officials prepare for high-stakes talks this weekend.

The mood among investors has improved substantially since the US president unveiled his "Liberation Day" blitz last month, sending markets spinning and fuelling global recession fears.

Several countries have lined up to hold talks with Washington to avert the worst of the duties that range from 10% to as high as 145% on China — Trump's main target.

On Thursday Britain became the first to announce a deal that reduces tariffs on British cars and lifts them on steel and aluminium, while in return Britain will open up markets to US beef and other farm products. While there are several areas that still need discussing, Trump and Prime Minister Keir Starmer hailed the "historic" deal, with the US president saying it should be seen as a template for others.

But analysts said traders were more excited about the Republican leader's comments on the upcoming talks with China in which he hinted at an easing of the stiff measures aimed at the world's number two economy. That could see Beijing dial back some of its own 125% tariffs on US goods.

Trump told reporters that he thought the negotiations would be "substantive" and when asked if reducing the levies was a possibility, he said "it could be".

"We're going to see. Right now you can't get any higher. It's at 145% so we know it's coming down. I think we're going to have a very good relationship." Treasury Secretary Scott Bessent and US Trade Representative Jamieson

Greer are set to meet Chinese Vice-Premier He Lifeng in Switzerland on Saturday and Sunday, the first talks between the superpowers since Trump unveiled his tariffs.

The US president also flagged efforts at home to push through the tax cuts he promised during the election campaign, adding: "This country will hit a point that you better go out and buy stock."

"Now, let me tell you this, this country will be like a rocket ship that goes straight up." Stephen Innes, of SPI Asset Management, said: "As important as the UK deal was, Trump's tone on China was the real signal for markets — and it handed the risk-on baton straight to Asia in a friendly, optimistic fashion."

"The president all but greenlit the idea that the days of punitive standoff might give way to negotiated momentum."

Asian markets extended the week's rally and tracked gains on Wall Street.

Tokyo jumped more than 1% on hopes for Japan's trade talks. However, Commerce Secretary Howard Lutnick warned agreements with Japan and South Korea could take longer to reach, while adding that there was "a lot of work" in striking a deal with India.

Hong Kong, Sydney, Wellington, Taipei, Manila and Jakarta also advanced, though Seoul retreated.

Shanghai also dropped ahead of key Chinese trade data that is expected to see a sharp drop off from March owing to the tariffs war. The return of some confidence to the market also helped bitcoin recover, pushing it back above \$100,000 for the first time since February.

The cryptocurrency struck \$104,159 on Thursday, pushing it towards the record above \$109,000 seen in January.

In Tokyo, the Nikkei 225 closed up 1.5% to 37,478.58 points; Hong Kong Hang Seng Index ended up 0.4% to 22,860.47 points and Shanghai Composite closed down 0.3% to 3,343.29 points yesterday.

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Asia’s super-rich rapidly scale back US exposure on trade war

Bloomberg

Hong Kong

Some of Asia's richest families are cutting exposure to US assets, saying President Donald Trump's tariffs have made the world's largest economy much less predictable. One family office managing assets for Chinese billionaires exited its US holdings entirely and will shift the proceeds to Asia. A senior executive at one of Europe's largest private banks said the scale of the recent selloff from rich clients and institutions around the world is unprecedented over the past three decades and could be the beginning of a more persistent shift. A top bank executive in Asia got rid of 60% of US assets from his own portfolio, saying it's safer to hold cash and gold. About 10 family offices and advisers to the ultra-rich who oversee billions of dollars told Bloomberg News they're reducing their exposure or freezing

investments, mostly in US equities and Treasuries. They cite rapid policy shifts, uncertainty and the risk of a recession. Some of them asked not to be identified discussing private investment decisions. "For the first time, some families are considering partial divestment from US holdings," Henry Hau, chief executive officer of Hong-Kong based Infinity Family Office, said in an interview. "These families weathered the dot-com bubble, the Asian financial crisis, and the 2008 global crisis while maintaining faith in US assets. Now, however, they are exploring reallocating 20%-30% of their US portfolios to China and Europe." The pullback marks a rapid change from just a few months ago, when many in Asia's business elite cheered Trump's election win, sending share prices at banks and major tech firms to record highs. Hong Kong and mainland China, which have been dealing with the fallout of a property crisis in recent years, are among the key markets benefiting from the US

pullout, as well as Europe. Hong Kong's benchmark index, on which many key Chinese firms are listed, has gained more than 13% this year, while the S&P 500 is down about 3%. "Much of the Chinese business community, like the business community elsewhere, was looking forward to Trump the deal maker, rather than Trump the anti-trade hawk," said Clifford Ng, a managing partner of Zhong Lun Law Firm in Hong Kong who advises the super-rich. "High-net-worth clients are retrenching and re-evaluating their global allocation of capital." Carman Chan, founder at Click Ventures, a Hong Kong and Singapore-based firm that manages her family's assets, said investors — including herself — are taking profits from the US market. They're allocating more to Asia, primarily China and Hong Kong, where valuations are more attractive. Hau, whose multi-family office serves mainland tycoons, said his firm has hedged against most holdings and will

accelerate selling during any market rebounds. The moves by private individuals echo a broader emerging shift away from the world's largest financial market as the Trump administration's policies undermine its appeal. Janus Henderson Investors sees a potential reduction in its US exposure. Amundi SA said clients are pulling away from the US and investing in European funds. The US has long been the world's most popular destination for the rich to invest. Its stock markets are the largest and most vibrant, drawing firms from all over the world to list there, including from China and Hong Kong. Japan and China are also top holders of US Treasuries. For many of the affluent in Asia, the world's largest economy has also been a favoured choice to send their children to college. To be sure, it's not clear how broad the pullback will be or how long it will last. US assets form a significant part of many portfolios.

While headlines have fuelled a swift reaction from some rich investors, other family offices said they will remain on the sidelines rather than actively sell. The US is still a haven that's hard to replace, three family offices executives said. US stocks also remain attractive from a long-term perspective, one of them said. Two other advisers to China's ultra-high-net-worth said their clients continue to have reservations about increasing exposure to the mainland after a years-long crackdown on entrepreneurs, and are waiting to see more evidence of policy support from President Xi Jinping. Upcoming trade talks between the US and China are already spurring optimism that tensions between the world's two largest economies may ease. And Trump could dial back tariffs as quickly as he started them. "The greatest concern is the rule of law," said Zhong Lun Law Firm's Ng. "Will treaties and trade deals and ownership rights be respected? If not, investors have little choice but to pull back."

US and Russia explore ways to restore Russian gas flows to Europe

Reuters

London/Moscow

With a frost covering Europe's energy relations with Russia, officials from Washington and Moscow have held discussions about the US helping to revive Russian gas sales to the continent, eight sources familiar with the talks have told Reuters. Europe slashed its imports of Russian gas following Moscow's invasion of Ukraine in 2022, a move that saw Russian exporter Gazprom post a \$7bn loss the following year.

US President Donald Trump is pushing for peace in Ukraine, raising the prospects of a thaw in gas ties.

Sources close to the bilateral discussions said carving out a renewed role for Moscow in the European Union's gas market could help cement a peace deal with Russian President Vladimir Putin.

Though much of Europe has sought alternative supply, some buyers have remained, and industry officials say more could return once a peace deal is agreed.

As for Russia, nothing has hit its economy harder than the loss of most of Europe's gas market three years ago.

It now supplies 19% of Europe's demand, down from 40%, mainly consisting of liquefied natural gas (LNG) and some piped via Turkey along the Turk-Stream pipeline.

Washington's involvement in restoring the gas sales could help Moscow navigate political opposition in much of Europe.

US involvement would also benefit Washington, giving it visibility, and possibly some control, over how much Russian gas returns to Europe, two diplomatic sources and a White House source said.

Since 2022, Europe has turned to other gas providers, including US exports of liquefied natural gas (LNG).

US envoy Steve Witkoff and Putin's investment envoy, Kirill Dmitriev, have held conversations about gas as part of Ukraine peace talks, two of the eight sources said.

Witkoff's spokesperson declined to comment when asked if he discussed the issue of Russian gas exports to Europe. "Currently, there are no such discussions," Russia's Direct Investment Fund,

headed by Dmitriev, said in a statement to Reuters.

Gazprom would consider selling gas to Europe if a new owner took control of the gas network between Russia and Europe, Kremlin spokesperson Dmitry Peskov told French magazine Le Point in April.

On the route crossing the Baltic Sea Gazprom controls the two twin pipelines of Nord Stream 1 and 2 backed by European firms which hold stakes.

Moscow is ready to trade its gas and knows that some European countries still want to buy it, Peskov said in the Le Point interview. "There is a gas seller, there are potential buyers," Peskov told reporters in April.

Countries still buying include Hungary and Slovakia which receive gas through the TurkStream pipeline. Belgium, France, the Netherlands, and Spain get LNG from Russia's Novatek under long-term contracts.

Regarding how the Americans might get involved, five sources said talks to date have discussed US investors taking stakes in the Nord Stream pipeline connecting Russia and Germany, or in the pipeline crossing Ukraine, or in Gazprom itself.

US firms could also serve as the buyers, purchasing gas from Gazprom and shipping it to Europe, including to Germany, the sources said.

Two of the sources said diplomatic talks involving potential US investors have also looked at the idea of a US buyer taking Russian gas and then exporting it on to Europe as a way of alleviating European political opposition to resuming supplies.

BlackRock, Vanguard and Capital Group each hold stakes of 1-2% in Gazprom. BlackRock, Vanguard and Gazprom did not respond to requests for comment. Capital Group declined to comment.

The European Commission declined to comment. Commission President Ursula von der Leyen has expressed her opposition to returning to Russian energy supplies.

"Some are still saying that we should re-open the tap of Russian gas and oil. This would be a mistake of historic dimensions and we would never let it happen," she told a European Parliament session on May 7.

Fed official says crucial to anchor inflation expectations

Bloomberg

Reykjavik, Iceland

Federal Reserve Bank of New York President John Williams said keeping inflation expectations anchored near policymakers' target forms the "bedrock" of central banking.

A "critical lesson" for central bankers is "the importance of maintaining well-anchored inflation expectations, especially when uncertainty is very high," Williams said at a conference in Reykjavik, Iceland.

Williams' remarks come as the US central bank is confronting a possible scenario in which its two mandates — maintaining price stability and maximum employment — come into conflict.

Consumers' expectations for inflation in the medium term spiked in April, according to a New York Fed survey. Household views on the jobs market also deteriorated.

At the same time, President Donald Trump is placing increased pressure on policymakers to cut interest rates to support the economy against the impact of tariffs on growth and the labour market.

Williams' comments suggest he's especially attentive to the inflation side of the Fed's mandate. That aligns with recent remarks from Fed Chair Jerome Powell, who said sustained full employment cannot be achieved without maintaining price stability.

"Today, regardless of economic shocks, changes in government policies or swings in globalisation and de-globalisation, central banks recognise that maintaining price stability



John Williams, Federal Reserve Bank of New York president.

is their job: They are the protectors of price stability," Williams said. He added that by effectively delivering on their mandate "central banks have earned credibility with the public."

Fed officials held borrowing costs steady earlier this week despite rising risks of higher unemployment and inflation. Policymakers are waiting to gain clarity on how an aggressive set of tariffs will shape the economy.

"There's no doubt that uncertainty will continue to be the defining characteristic of the monetary policy landscape for the foreseeable future," Williams said.

In an interview with Bloomberg Television with Francine Lacqua following his speech, Williams said talk about preemptive rate cuts was "misplaced" as the cur-

rent economic environment remains uncertain.

He also said he estimates the inflation-adjusted neutral rate of interest — the level at which policy neither stimulates nor restricts the economy — was around 0.75-1%.

In light of that, he said policy currently remains "modestly restrictive."

Asked about consumer spending, Williams said the picture is split between encouraging, but backward looking "hard data," and worrying forward-looking survey data.

"The actual consumer spending has held up pretty well, but we are hearing more reports from businesses and others, consumers are starting to pare back some of that discretionary spending," he said.

In a separate question-and-answer session following his speech, Williams said he ex-

pected economic growth in the US this year to be "considerably slower" than in 2024. He also anticipates higher inflation and unemployment.

Speaking earlier yesterday in Reykjavik, Fed Governor Adriana Kugler said policymakers should hold interest rates steady for now, pointing to a stable US economy and uncertainty around tariffs.

"Overall we see health still in the real economy, so that gives us time to make sure that we continue to make progress on inflation, and we keep our inflation expectations very well anchored," Kugler said yesterday during a Bloomberg Television interview.

Fed Governor Michael Barr, also in Reykjavik, warned the administration's trade policies could generate persistent inflationary pressures and higher unemployment.

UK should rebuild EU trade relations, says BoE chief

AFP

London

Britain should rebuild its trading relationship with the European Union (EU), having struck a trade agreement with the US, Bank of England (BoE) governor Andrew Bailey said yesterday. Bailey told the BBC that it "would be beneficial" for Britain to have "a more open economy to trade with the European Union". US President Donald Trump on Thursday unveiled a "breakthrough" trade agreement with Britain, the first deal with any country since he launched his global tariffs blitz. The EU remains Britain's trading partner despite Brexit, which saw Britain depart the EU in 2020. However, "there has been a fall-off in goods trade with the EU over recent years", Bailey



Andrew Bailey, governor of the Bank of England.

told the broadcaster regarding Brexit's impact on Britain. Bailey added in the interview that he hoped Britain could "start to rebuild that relationship" with its neighbour. His comments come ahead of a EU-UK summit on May 19 due to reset ties with the 27-nation bloc. The US deal reduces tariffs on British cars and lifts them on steel and aluminium, while

in return Britain will open up markets to US beef and other farm products. British Prime Minister Keir Starmer hailed it as a "historic day", although the agreement is thin on details and both sides said there would be more negotiations. Britain this week also struck a free-trade agreement with India, its biggest such deal since it voted to leave the European Union in 2016.

Canada’s unemployment rate jumps to 6.9% in April

Reuters

Ottawa

Canada's unemployment rate rose to 6.9% in April, matching the November figure when joblessness in the country scaled an eight-year high outside of the pandemic era, data showed yesterday.

The high unemployment rate in Canada, where the number of jobless people is inching towards 1.6mn, was partly a result of US President Donald Trump's tariffs on a raft of Canadian imports, Statistics Canada said.

Overall, the employment number was largely flat with minimal gains of net 7,400 jobs in April, Statistics Canada said. This was in contrast to a loss of 32,600 jobs the prior month.

Analysts polled by Reuters had predicted employment to increase by 2,500 people and the unemployment rate to increase to 6.8%.

Trump's tariffs on Canadian steel and aluminium in March and automobiles in April, along with import duties on a broad range of products

with various reductions and exemptions has impacted businesses and households.

The Bank of Canada has warned that growth would take a major hit in coming months as exports fall, prices increase, hiring reduces and layoffs accelerate. It has vowed to act decisively if the economy needs urgent support.

Currency swap market bets show odds of a 25 basis point rate cut in June at 52% roughly.

The Canadian dollar was trading up 0.08% to 1.3912 US dollar, or 71.88 US cents. Yields on two-year government bonds fell 2.4 basis points to 2.566% after the labour force data was released.

The number of unemployed people, or those looking for work or on temporary layoff, increased by 39,000 or 2.6% in April and was up by 189,000 or 13.9% on a year-over-year basis.

"People who were unemployed continued to face more difficulties finding work in April than a year earlier," Statscan said, adding that

among those who were unemployed in March, 61% remained unemployed in April which was almost four percentage points higher than the same period last year.

The tariffs and the uncertainty around them especially hit the manufacturing sector which shed 31,000 jobs in the month, Statscan said.

The employment rate, or the proportion of the working age population that is employed, was at 60.8% in April, following a decline of 0.2 percentage points in March. This was a six-month low, the statistics agency said.

The employment rate had been depressed for most of 2023 and 2024 as population growth outpaced employment gains. However, in recent months population growth has not been very high but employment gains have slowed.

Employment in the public sector increased by 23,000 or up 0.5% in April, following three consecutive months of little change, especially due to increased temporary hiring for the federal election.