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Apple event to put focus on 'existential risk' of AI struggles



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GULF TIMES BUSINESS

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Saudi Arabia's GDP grows by 3.4% in Q1, beating flash estimates



# Qatar's Islamic finance assets reach QR683bn in 2024

**By Santhosh V Perumal**
Business Reporter

Qatar's Islamic finance sector saw a 4.1% year-on-year growth in assets to QR683bn during 2024, according to Bait Al Mashura Finance Consultations, the country's first certified entity authorised to provide Shariah audit, investment advisory, and financial consulting services to Islamic financial institutions.

Of the total Islamic finance assets during the review year, Islamic banks accounted for 87.4%, sukuk 11.2%, takaful companies 0.7% and the remaining distributed among Islamic investment funds and other Shariah-compliant financial institutions, said "Qatar Islamic Finance Report".

"In the past year, the Islamic finance sector experienced significant transformations and qualitative advancements in performance, expansion, and supporting technologies. This necessitates a close monitoring of these changes through data analysis and trend tracking to offer a more comprehensive and precise perspective on the current state and to anticipate future trajectories," said Dr Khalid Ibrahim al-Sulaiti, vice-chairman of Bait Al Mashura Finance Consultations.


Dr Khalid Ibrahim al-Sulaiti, vice-chairman, Bait Al Mashura Finance Consultations.

Within Islamic banks, assets expanded 3.9% year-on-year to QR585.5bn; revenues by 12.6% to QR29.5bn and net profit by 6% to QR8.7bn during 2024.

Deposits soared 8.2% on annualised basis to QR339.1bn with private sector accounting for 57%. Financing shot up 4.9% yearly to QR401.5bn during 2024, predominantly directed towards real estate, government and personal finance segments.

"Qatar's banking and financial sector remains fundamentally sound, characterised by robust capital buffers, ample liquidity, and high provisioning coverage ratios," the report said.

In the takaful sector, the report said, assets increased by 7.1% year-on-year to QR5.1bn during 2024. Policyholders' assets grew by 6.3%, reaching QR2.6bn.

Insurance contributions saw a significant rise of 18.6%, exceeding QR1.9bn. The performance outcomes for takaful insurers varied, with some achieving insurance surpluses while others incurred deficits.

For Islamic finance companies, total assets amounted to QR2.53bn, a marginal increase of 0.8%. Financings extended by these companies grew by 5.7% to QR1.9bn.

Revenues reached QR277.2mn, an increase of 14.7%. Revenues from financing and investment activities constituted 84% of the total.

Islamic finance firms displayed mixed results with some reporting profits collectively exceeding QR178.5mn, while others recording losses of about QR12mn as total profits reached QR17.5mn during 2024.

Islamic investment companies saw their combined assets grow by 5.2% to QR549.5mn during 2024. Their revenues surged 44.1% reaching QR59.7mn.

In the sukuk market, the issuance increased by 161%. Islamic banks issued sukuk valued at QR9.5bn during 2024, a 300% surge; while the Qatar Central Bank issued sukuk worth QR16.9bn during the year, an increase of 118.5% on an annualised basis.

Islamic investment funds' assets stood at QR944.6mn, reflecting a 1% increase.

On the Qatar Stock Exchange, the Al Rayan Islamic Index closed with a gain of 2.23%. The share performance of listed Islamic finance companies was mixed, with increases reaching up to 2.3% and decreases as significant as (19.6%).

# Qatar accounts for 18.8% share of global LNG exports in 2024, says IGU

■ **US, Australia and Qatar account for over half of global liquefaction capacity**

**By Pratap John**
Business Editor

Qatar's 18.8% share of global LNG exports brings the joint LNG exports of the three largest exporters in 2024 to 60%, says the International Gas Union (IGU) in its latest report.

Qatar's exports slipped by 0.99mn tonnes to a total of 77.23mn tonnes in 2024, largely on par with the market's nameplate capacity of 77.1mn tonnes, IGU noted in its 'World LNG Report 2025'.

Currently, Qatar is the third largest global LNG exporter. Ahead of Qatar are the US and Australia.

Despite delays in new projects, the US defended its position as the world's largest LNG exporter in 2024, exporting a total of 88.42mn tonnes, equal to 21.5% of global LNG output and up 3.89mn tonnes from 2023.

Australia maintained its position as the second-largest exporter with export volumes of 81.04mn tonnes in 2024, up 1.48mn tonnes from the previous year, comprising 19.7% of global exports.

Global LNG liquefaction capacity grew by 6.5mn tonnes per year (MTPY) in 2024 to a total of 494.4 MTPY by year-end.

Despite capacity growth, the global average utilisation rate decreased slightly to 86.7% from 88.7% in 2023, due to maintenance, power disruptions, and a series of mechanical outages across various facilities.

In terms of liquefaction capacity, as of the end of 2024, there were 22 markets operating LNG export facilities. The US remained the market with the largest operational liquefaction capacity, at approximately 97.5mn tonnes per year, with an increase of 4.5MTPY compared to 2023.

Australia and Qatar ranked second and third with 87.6MTPY and 77.1MTPY, respectively, maintaining the same capacity as the previous year.

"The top three LNG export markets currently represent more than half of global liquefaction capacity," IGU noted.

As of the end of 2024, there is 1,121.9MTPY of potential liquefaction capacity in the pre-FID stage, an increase of 75.3MTPY compared to 2023.

With the Russia-Ukraine conflict still ongoing and a huge decline in Russian piped gas volumes in the market, a wave of proposed liquefaction projects has emerged to offset the loss of Russian supply.

Some projects have also been fast-tracked to help meet demand. However, only a portion of pre-FID projects are going to proceed.

According to IGU, global LNG demand is projected to stay on a long-term growth trajectory on the back of a strong increase in demand from markets in Asia and Asia Pacific.

Although LNG contributes to global decarbonisation efforts by serving as a substitute for coal in power generation or for fuel oil in shipping, the LNG industry also needs to address emissions from its own supply chain.

Cost inflation notwithstanding, these ongoing decarbonisation efforts continue to manifest themselves in an ever more efficient LNG fleet and innovative emission reduction measures undertaken by LNG projects worldwide, the report noted.

# Qatar's autonomous network investments 'crucial for 2030 vision'

**By Peter Alagos**
Business Reporter

Qatar's investments in autonomous networks are essential for the country's 2030 vision and future growth, according to Raghav Sahgal, president of Cloud and Network Services at Nokia.

Speaking to *Gulf Times* in an exclusive interview, Sahgal highlighted the "impressive progress" Qatar is making in building advanced networks, placing its operators among the global leaders in network quality and speed.

He emphasised that as the country "moves towards 2030 and beyond," with the advent of technologies like 6G, networks will become more intelligent. According to Sahgal, networks that can "sense, think, and act" autonomously, which he pointed out as "crucial for the increasing digital transformation of industries, not just for consumers and businesses." He noted that Qatar's vision for a digital society, where enterprises thrive, relies on creating an environment that fosters high productivity to attract investment and develop new industries.

Sahgal underscored the vital role played by communication in today's digital future, saying that while cloud computing and artificial intelligence (AI) are important, "connectivity is what brings them together."

He said, "Nokia aims to bridge the world of cloud and AI through the networks they are building, especially as future networks evolve to autonomously sense, think, and act. These advanced networks will be able to serve the needs of various industries, businesses, consumers, and application developers."

Sahgal views the country's current investments in autonomous networks as a "vital cog" in realising Qatar National Vision 2030, acknowledging the Gulf nation's ongoing local investments in cloud and AI. But he was also quick to stress the importance of linking them all together through communication networks, noting that he finds Qatar's commitment to building these autonomous networks "spot-on" with its overall vision.

When asked about his message to Qatari businesses, Sahgal underscored that communication is the fundamental building block of digitalisation. He believes that anything that helps foster the development and innovation of communication networks will benefit any country.

He likened communication, particularly mobile connectivity, to critical infrastructure, an area where innovation must flourish. Sahgal affirmed that Nokia's primary goal is to provide innovative solutions to its customers, such as operators like Vodafone Qatar, to help the company achieve its vision of building world-class networks.


Raghav Sahgal, president of Cloud and Network Services at Nokia.
**PICTURE:** Thajudheen

# China's rare earth exports recover ahead of US trade talks

**Bloomberg**
London

Chinese exports of rare earths, a group of 17 minerals at the centre of a trade dispute with Washington, rose 23% in May from the previous month, according to customs data on Monday.

The shipments of 5,865 tonnes were still below last year's level, although the jump last month helped push the year-to-date figure 2.3% higher to 24,827 tonnes. The data doesn't cover rare earth products, which include high-value magnets for electric motors and hard-disk drives.

Rare earths would top the agenda later in the day, when negotiators meet in London as the world's two biggest economies seek to defuse tensions.

The list of grievances includes China's export controls on rare earth minerals and magnets, which are used widely in high-tech and defence manufacturing.

The customs figures on Monday offer an incomplete picture of the impact of China's curbs, which only apply to worldwide sales of seven of the elements. Those were imposed April 4 in retaliation to punitive tariffs levied on Chinese goods by President Donald Trump. China accounts for almost 70% of the world's production of rare earths.

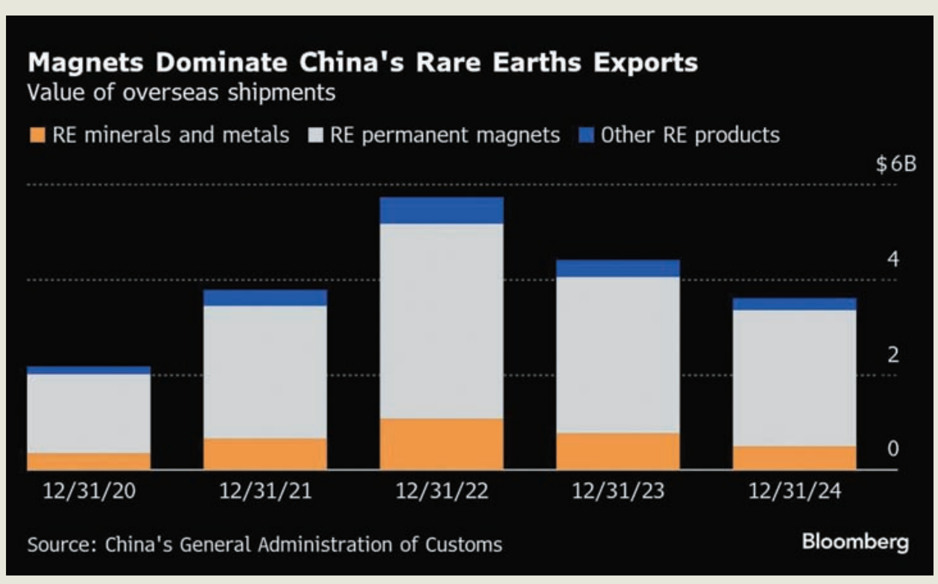
The May data for rare earth products is due to be released on June 18. The breakdown of export destinations should be available June 20.

China appeared to loosen its curbs last month, after an announcement on May 12 that the two countries had agreed to lower tariffs and other barriers to trade. The US subsequently accused Beijing of stalling on sales, although delays may have been due to long lead times in China's permitting system. European trade officials and carmakers have also sounded the alarm on disruption to supplies from China.

On Saturday, the Chinese government said it had granted approvals for some rare earth exports, without specifying which countries or industries were covered, in a move that could help smooth Monday's talks with the US.

Customs data for April showed rare earth and product sales to the US dropping 37% from March to about 1,700 tonnes. Within that, rare earth magnet sales fell more steeply by 58% to 246 tonnes. Magnet sales to the whole world were 51% lower at around 2,600 tonnes.

The unrelenting expansion of Chinese copper processing capacity over the past few years has become a global headache, as smelters scramble to secure the ore they need to produce the vital industrial metal.



# BUSINESS

A general view of Riyadh city during the early hour of evening. First-quarter GDP grew by 3.4% compared to the same quarter of the previous year, beating flash estimates of 2.7% released in May by the Saudi General Authority for Statistics.

## Saudi Arabia's GDP grows by 3.4% in Q1, beating flash estimates

**Reuters**
Riyadh

Saudi Arabia's economy grew by more than expected in the first quarter of 2025, according to government data estimates, with lower oil prices impacting the economy less than previously forecast.

First-quarter GDP grew by 3.4% compared to the same quarter of the previous year, beating flash estimates of 2.7% released in May by the Saudi General Authority for Statistics.

"The upward revision was both due to a smaller annual contraction from the oil sector and stronger private sector growth," said Monica Malik, chief economist at Abu Dhabi Commercial Bank.

Oil GDP shrank by 0.5%, while initial flash estimates had shown it contracting by 1.4%.

Non-oil growth reached 4.9% compared to estimates last month pointing to a 4.2% increase.

The impact of lower oil prices may have been blunted by the kingdom's increase of oil output.

The kingdom faces a widening budget deficit with the International Monetary Fund saying Riyadh needs a price of over $90 per barrel to balance its books compared to prices of around $60 per barrel in recent weeks.

Saudi Arabia, the world's biggest oil exporter, lowered its July prices for Asian buyers at the beginning of June, after Organisation of the Petroleum Exporting Countries (Opec) and allies, known as Opec+, hiked output for a fourth month.

Opec+ agreed to another big output increase of 411,000 bpd for July, having increased output by the same amount in May and June.

Saudi Arabia is in the midst of a costly economic transformation programme known as Vision 2030 that aims to wean the economy off oil dependency and has been funnelling billions into massive new development projects.

Saudi Finance Minister Mohammed al-Jadaan said the kingdom would "take stock" of its spending priorities in response to a significant decline in oil revenue, the Financial Times reported in May.

"We also expect to see some pullback in government spending to limit the widening of the fiscal deficit, which will likely weigh on non-oil growth," said Malik.

Daniel Richards, senior economist at Emirates NBD, said that still, the bank believes that spending will remain high.

"There is still sufficient project spending already in progress that growth will remain supported through this year and next at least," he wrote in a note.

Saudi Arabia is committed to hosting several large international events, each of which require significant spending on construction and development.

These include the 2029 Asian Winter Games, set to feature artificial snow and a man-made freshwater lake, and the 2034 World Cup, for which 11 new stadiums will be built and others renovated.

Saudi Arabia's 2025 fiscal deficit is forecast at around 101b riyals ($27bn).

## China exports slow as trade war takes toll

**AFP**
Beijing

Chinese exports grew at a slower pace than expected in May, official figures published yesterday showed, hours ahead of expected talks between Beijing and Washington aimed at easing a gruelling trade war.

Imports fell more dramatically than expected last month, with weak domestic consumption in the world's number two economy highlighted by data earlier in the day revealing another month of falling prices.

The 4.8% year-on-year increase in overseas shipments last month was slower than the 8.1% growth recorded in April, also falling short of the 6% jump that was forecast in a survey of economists by Bloomberg.

It comes as representatives from China and the US were expected to meet in London on Monday for another round of high-stakes trade talks that markets hope will ease tensions between the economic superpowers.

Monday's reading included a 12.7% plunge in exports to the US compared with April, when US President Donald Trump unveiled his eye-watering tariffs on China.

May's exports to the US also represented a year-on-year decline of more than one third — the steepest slide since early 2020.

In contrast, customs data showed shipments to Vietnam increased from the previous month.

Those to other Southeast Asian countries including Malaysia, Thailand, Singapore and Indonesia all declined slightly after soaring in April, the figures indicated.

"The acceleration of exports to other economies has helped China's exports remain relatively buoyant in the face of the trade war," wrote Lynn Song, chief economist for Greater China at ING, noting that shipments to Southeast Asian nations were up 14.8% year-on-year.

China's overall imports in May dropped 3.4% year-on-year, coming up short of the 0.8% decline forecast by the Bloomberg survey.

Zhiwei Zhang, president and chief economist at Pinpoint Asset Management, said the trade outlook "remains highly uncertain". He pointed to the impact of "frontloading", when overseas buyers increase shipments ahead of potentially higher tariffs.

Monday's data added to concerns about the Chinese economy, with a report from the National Bureau of Statistics (NBS) showing the consumer price index — a key measure of inflation — dropped 0.1 % year-on-year in May.

The reading, which was slightly better than expected but marks the fourth straight month of falling prices, comes as Beijing struggles to boost domestic consumption that has been sluggish since the end of the pandemic.

The failure to kickstart demand threatens the official growth targets and complicates the ability to shield the economy from Trump's tariff blitz.

While deflation suggests the cost of goods is falling, it poses a threat to the broader economy as consumers tend to postpone purchases under such conditions in the hope of further reductions.

A lack of demand can then force companies to cut production, freeze hiring or lay off workers, while potentially also having to discount existing stock — dampening profitability even as costs remain the same.

**Imports fell more dramatically than expected last month, with weak domestic consumption in the world's number two economy highlighted by data earlier in the day revealing another month of falling prices**

The London talks will be the second set of formal negotiations between the two since Trump launched his global trade blitz on April 2.

They were announced after a phone call last week between Trump and Chinese President Xi Jinping.

China and the US paused sky-high tariffs after the first round in Geneva in mid-May but failed to reach a sweeping trade deal.

Zichun Huang, China economist at Capital Economics, said Beijing's export growth was expected to "slow further by year-end" with tariffs "likely to remain elevated".

A key issue in Monday's negotiations would be Beijing's shipments of rare earths that are crucial to a range of goods, including electric vehicle batteries, and which have been a bone of contention for some time.

Customs figures yesterday showed Chinese exports of rare earth minerals rose last month to 5,865 tonnes from 4,785 tonnes in April.

But last month's figure still represented a decline from May last year, when China exported 6,217 tonnes of rare earths.



## Opec oil production in May rises less than planned, says survey

**Reuters**
London

Opec oil output rose in May by less than the volume planned, a Reuters survey found, as Iraq made further cuts to compensate for earlier pumping above target and Saudi Arabia and the United Arab Emirates made smaller hikes than allowed.

The Organisation of the Petroleum Exporting Countries (Opec) pumped 26.75mn barrels per day (bpd) last month, up 150,000 bpd from April's total, the survey showed on Monday, with Saudi Arabia making the largest increase.

Opec+, which comprises Opec and its allies, including Russia, is accelerating its plan to unwind its most recent layer of output cuts. At the same time, some members are required to make extra cuts to compensate for earlier overproduction, in theory limiting the impact of the hikes.

Under an agreement by eight Opec+ members covering May output, the five of them that are Opec members — Algeria, Iraq, Kuwait, Saudi Arabia and the United Arab Emirates — were to raise output by 310,000 bpd.

According to the survey, the actual increase by the five was 180,000 bpd, as compensation cuts by Iraq and lower exports by Saudi Arabia limited the increase. The biggest hike of 130,000 bpd came from Saudi Arabia, the survey found.

Iraq, which is under pressure to boost compliance with Opec+ output quotas, curbed output, the survey found, to meet its commitment for compensation cuts in May.

The United Arab Emirates also pumped below its Opec+ quota in May, the survey found, to reflect the country's relatively low commitments for compensation cuts, a source with knowledge of the issue said.

There is a wide range of estimates of output in Iraq and the UAE with many outside sources putting the countries' output higher than the countries themselves. While the Reuters survey and April data provided by Opec's secondary sources show they are pumping close to the quotas, other estimates, such as those of the International Energy Agency, say they are pumping significantly more.


Opec+, which comprises Opec and its allies, including Russia, is accelerating its plan to unwind its most recent layer of output cuts.

### Opec+ quota hikes yet to deliver oil surge: Morgan Stanley

**Bloomberg**
London

The Opec+ alliance may be boosting oil-production quotas at a significant pace in a push to restart idled capacity, but that shift has yet to translate into big gains in actual output, according to Morgan Stanley.

"Notwithstanding the around 1mn bpd increase in production quotas between March and June, an actual increase in production is hard to detect," analysts including Martijn Rats said in a June 9 note. "Notably, it does not appear that production in Saudi Arabia has ramped up significantly."

The global oil market has been rocked in recent months by the move from eight core Opec+ nations to relax supply restraints at a faster-than-expected pace, potentially adding supplies just as trade frictions menace demand.

The surprise shift has been presented as a bid by the alliance to reclaim market share from rival drillers, as well as punish its own quota cheats.

Morgan Stanley based its conclusions on a slew of data points, including refinery throughput, cargo exports, pipeline flows, and indications of stockpiling, as well as estimates for production from six different providers.

Still, increases may yet be forthcoming. The Wall Street giant said that it still expected supply from the core members to rise by about 420,000 bpd between June and September as the alliance continues quota hikes, with about half of the increase coming from Saudi Arabia.

In addition, the bank maintained its outlook for a surplus, as crude supplies from outside the Organisation of the Petroleum Exporting Countries and its allies climb by about 1.1mn bpd this year, outpacing global demand growth of about 800,000 barrels a day.

Even without an "Opec production increase, those two assumptions alone already produce a softer outlook for the oil market, especially after the current period of seasonal summer-strength," the analysts said.

# Walmart's credit cards will be issued by Synchrony again after pact with OnePay

Bloomberg
New York

Walmart Inc's credit cards will once again be issued by Synchrony Financial as the world's largest retailer makes a renewed push into financial services.

OnePay, a financial technology firm backed by Walmart, picked Synchrony to issue both a co-branded card that can be used outside Walmart as well as a private-label card that will be available just for purchases at the retailer, according to people with knowledge of the matter. OnePay will begin offering the cards in the US later this year.

Synchrony issued the Walmart credit card for nearly two decades until 2018, when it lost the partnership to Capital One Financial Corp. The latest deal does not include the balances tied to Walmart's existing credit card program, the people said, asking not to be identified as the information isn't public.

Representatives for Walmart, OnePay and Synchrony declined to comment.

The move is the latest sign that Walmart is looking to weave itself into the financial lives of millions of its shoppers, and it's betting that OnePay, which is structured as an independent company, is its best shot at doing so. While the fintech is majority owned by the retailer, it is also backed by investment firm Ribbit Capital.

Traditional financial firms have been warily watching as giant retailers muscle into their turf, and are increasingly worried that such moves will eat away more business. For instance, JPMorgan Chase & Co boss Jamie Dimon in 2023 identified the competitive threat of businesses like Walmart, labelling their hundreds of millions of customers and the enormous resources at their disposal an "extraordinary competitive advantage."

Synchrony is best known as one of the largest issuers of co-brand credit cards, counting the likes of JCPenney, Lowe's Cos, Amazon.com Inc and PayPal Holdings Inc. as partners. It also renewed its 30-year relationship with Walmart-owned Sam's Club last year. Those five partnerships accounted for more than half the interest and fees the bank earned on its loans in 2024, according to a regulatory filing.

Walmart's decision in 2018 to move to Capital One was a blow to Synchrony and the companies' ensuing divorce spilled into court as negotiations faltered over whether to shift billions of dollars in balances to Capital One. Capital One ultimately agreed to buy about $9bn worth of loans tied to the portfolio. Capital One's relationship with Walmart soon became rocky and the retailer ended up suing the lender in 2023 in order to curtail the partnership, arguing the bank had failed to meet critical standards for customer care. A federal judge ruled in Walmart's favour last year and the two firms promptly announced they'd be terminating their deal.

At the time of the breakup, the existing card program had loan balances of $8.6bn and roughly 10mn customers hooked to it.

Co-brand and private label credit cards are a crucial way that many merchants and card issuers use to monetise a customer's loyalty to a certain brand or store.

To that end, the new card will be the latest avenue of growth for OnePay, which already offers a variety of banking, lending and payment products. Walmart recently poured more resources into the venture, leading a $300mn fundraising round alongside Ribbit Capital that valued the fintech at $2.5bn.

Walmart's so-called Money Centers allow customers to cash checks, get their taxes prepared, pay their bills and access money orders. In some ways, with more than 4,600 stores across the US, the company already operates a network of branches that would rival those of JPMorgan, Bank of America Corp and Wells Fargo & Co.

A Walmart store in Secaucus, New Jersey. OnePay, a financial technology firm backed by Walmart, picked Synchrony to issue both a co-branded card that can be used outside Walmart as well as a private-label card that will be available just for purchases at the retailer.

# EM currencies index hits record high

Reuters
London

An index tracking emerging market currencies hit a record high yesterday, supported by a weaker dollar ahead of talks between the US and China that could potentially lead to a breakthrough after months of trade tensions.

The MSCI index of emerging market currencies was up 0.2% at an all-time high.

Trading was subdued with several markets, such as Hungary, Romania, and Turkiye, closed for public holidays. A broad index for emerging market equities jumped about 1% to hit a more than three-year high.

Global markets were pinning their hopes on the talks between representatives from Washington and Beijing in London on Monday, which could potentially improve Sino-US trade ties that have been threatening global growth.

The aim is to revive a preliminary agreement struck last month in Geneva that briefly relieved investors after months of uncertainty due to US President Donald Trump's tariff orders since his return to the White House in January.

The trade curbs have affected China's export growth, which slowed to a three-month low in May, while its factory-gate deflation deepened to its worst level in two years.

China's blue-chip CSI300 Index and the Shanghai Composite Index were both trading higher ahead of the negotiations. The dollar index, which measures its performance against other major currencies, slipped following temporary relief after an upbeat US employment report on Friday.

"The CEE currency picture remains bullish. Core markets pushing up CEE rates are leading to widening interest rate differentials. Moreover, a weaker dollar continues to support currencies in the region even after the US jobs data release on Friday," ING analysts said in a note.

In Central and Eastern Europe, the Czech Republic's main stock index was little changed after rising last week.

The Czech crown eased 0.1%, with data showing an expected drop in the Czech unemployment rate in May. In Poland, the zloty edged up 0.2% after sharp losses last week following the presidential victory for conservative Karol Nawrocki that fuelled concerns about the country's fiscal health.

Investors are focussed on a vote of confidence in the Polish parliament on Wednesday, which could dictate market moves for the rest of the week.

Poland's main stock market index, the WIG, was down 0.2%. The index sank 2.6% last week.

Meanwhile, Fitch affirmed Hungary's credit rating at "BBB" on Friday, citing strong structural indicators compared to peers under the same ratings grade, but flagged its higher public debt, unusual economic policies, and the economy's high trade dependence.

# Credit investors embrace portfolio trades as ETF grip loosens

Bloomberg
London

Investors looking to move big blocks of corporate bonds have long relied on exchange-traded funds listed on stock exchanges to jump in and out of positions. But now, they're increasingly trading directly in the debt market.

The shift underscores a major development over the last 10 years: electronic and high-speed trading — classic methods for moving equities — are spreading to the debt market and making it easier to execute portfolio trades, where a mass of different securities is bought or sold in one fell swoop.

The growing popularity of the practice was evident in a turbulent April, when there was a record $100bn of these transactions in the high-grade market, according to data compiled by strategists at Barclays Plc. In the first four months of the year, this type of trading accounted for 11% of the total volume in this bond cohort, converging for the first time with the share that ETFs generated.

"Many have said that the true test for portfolio trading would come when markets are volatile," said Zornitsa Todorova, the firm's head of thematic fixed income research. When the time came, it "stood ground and provided that liquidity that people wanted," she said.

ETFs that bundle bonds into listed equities are hardly going away. In fact, their volume in April also hit a record high. More than $180bn of US corporate bonds are held by ETFs, based on data compiled by Bloomberg, and their liquidity has allowed investors to buy or sell hundreds of notes at once.

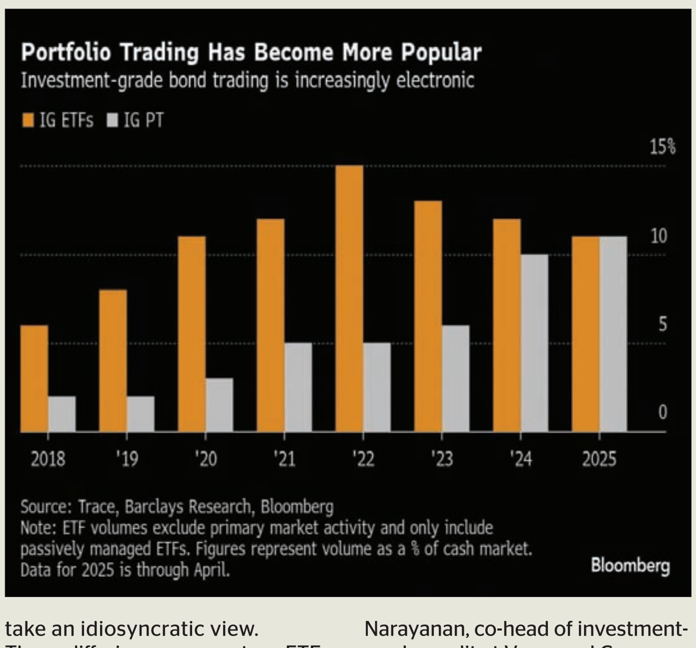
Portfolio trading, which has long been used in the ETF creation and redemption process, has matured into a parallel execution channel that investors are comfortable leaning on directly. And there's a benign feedback loop between the techniques. The expansion of credit ETFs, such as a BlackRock Inc product (LQD) that tracks investment-grade bonds, has improved price transparency in recent years. That, in turn, has made it easier to construct and hedge block trades.

They "needed the ETFs in order to flourish," Todorova said. "If you take the ETF out of the equation, there will be no portfolio trading."

At Pacific Investment Management Co, several factors — including enhanced customisation, improved execution and greater precision — have made it a key tool for buying and selling blocks of securities.

"Some asset managers that have been using ETFs in their portfolio construction are probably doing a little bit less on average because they can do a portfolio trade on their own now," said Sonali Pier, multi-sector credit portfolio manager at Pimco. "But there's still room for both."

Each method has its advantages. ETFs are cheaper to trade, and better suited for making broad bets on macro shifts, for example. But portfolio trading allows a money manager to create a customised basket of bonds and take an idiosyncratic view.




Those differing uses may turn ETFs into more of a retail tool, while institutional investors could favour portfolio trading, said Arvind Narayanan, co-head of investment-grade credit at Vanguard Group. "It's really just two completely different investor types in the market," Narayanan said.

Adam Dwinells, head of corporate bond strategies at Blackstone Inc.'s credit group, said pricing algorithms and risk management models originally developed to facilitate ETF activity eventually became standalone tools that asset managers use to either shuffle holdings or hedge risk. "It's just become a much more embedded part of how we trade now," he said.

Recent tariff-driven volatility offered a glimpse of that bigger transition. Portfolio trading has tended to taper off amid market turbulence, but the strategy remained strong in April, with volume for junk bonds — a less liquid corner of the market — surging to a record percentage of reported trading, at 20%, according to electronic platform Tradeweb Markets Inc.

The next frontier may be emerging markets credit, according to Barclays' Todorova. Electronic trading is estimated at about 10% of volume, up from just under 3% a year ago, she said.

# Tesla hit with a pair of downgrades amid fallout from Trump feud

Bloomberg
New York

Tesla Inc was hit with a pair of downgrades yesterday, underscoring mounting concerns on Wall Street about the electric-vehicle maker's outlook following last week's clash between Chief Executive Elon Musk and President Donald Trump.

Both Argus Research and Baird cut the stock to the equivalent of hold ratings, cementing Tesla's reputation as the least-loved megacap stock among analysts. Shares fell 1.6% in premarket trading.

The downgrades mark the latest hurdle for Tesla, shares of which are down about 27% in 2025, making it the weakest performer of the so-called Magnificent Seven stocks. Tesla shares had rallied in the wake of Trump's re-election, which Musk vigorously supported, but are down almost 40% off their peak in December.

Much of the stock's recent decline came after the high-profile blowup between Musk and Trump last week. While Musk subsequently suggested he was open to making amends, the tensions are seen as a significant headwind overhanging the shares.

"Looking ahead, we are concerned that the war of words between President Trump and Elon Musk, along with expiration of EV credits, could further weaken demand for new Teslas," wrote analysts at Argus Research, who downgraded the stock to hold from buy.

The feud, they added, is emblematic of how the stock "appears to be currently trading on non-fundamentals events." This view was echoed by Baird, which cut the stock to neutral from outperform.

"The recent incident between Musk and President Trump exemplifies key-person risk associated with Musk's political activities," analyst Ben Kallo wrote. "While we have no indication of how the relationship may change or what either will do, we see the situation as adding uncertainty to Tesla's outlook. Additionally, we believe this may heighten questions regarding brand damage, which we expect will persist until sustained evidence of volume growth avails itself."

Musk's comments about Tesla's robotaxi programme "are a bit too optimistic, and we believe this excitement has been priced into shares," Baird said. The service, which focuses on driverless vehicles and artificial intelligence, is scheduled to launch in Austin this week.

The two downgrades underline how Tesla is the megacap viewed most sceptically by Wall Street. Fewer than half of the analysts tracked by Bloomberg recommend buying the shares, by far the weakest such ratio among the market's biggest companies.

To be sure, the stock still has 30 buy ratings, compared with 18 hold ratings and 13 analysts who recommend selling. Tesla trades basically in line with the average price target for the stock, suggesting analysts aren't looking for a rebound in shares.

# 'BP takeover would be a longshot due to size and complexity'

Bloomberg
London


A BP petrol station in Surrey, UK. The chances that a rival oil company will take over BP are slim right now, even as peers have been running the numbers, because of the firm's size and complexity, said bankers from Moelis & Co.

The chances that a rival oil company will take over BP Plc are slim right now, even as peers have been running the numbers, because of the firm's size and complexity, said bankers from Moelis & Co.

"We can't identify anybody in the US that would be a buyer," Moelis Chairman and Global Head of Energy and Clean Technology Stephen Trauber said in an interview in London yesterday. "We don't really see any others globally that are buyers that view the assets as must-have."

Shell Plc is "probably the one that fits the best" with BP from an asset and regulatory perspective, Trauber said. Bloomberg reported last month that the company has discussed the merits of a takeover with its advisers, he said such a deal would still be a unlikely.

Shell began its pivot back to oil and gas from clean energy much sooner than BP, putting it in a stronger position today than its London-based rival. "I think Shell sees their way back much quicker than BP does," Trauber said. "So why dilute that upside?"

At some point in the future, when Shell has further improved its valuation and balance sheet and "if BP still sits where they sit," that could be a better time to make a transaction happen, Trauber said. "At some point you've got to think about all of the options if you don't get the momentum in your share price that you want to see," he said.

But until then, it's a longshot for anyone to take out BP any time soon, Trauber said.

Meanwhile, BP's $20bn divestment program faces challenges. The biggest single potential asset disposal — lubricants unit Castrol — has "a limited universe of potential buyers," Moelis Managing Director Ali Hassen said. "So it's not a done deal, even if they run a process that is pretty competitive."

# Apple's annual event to put focus on 'existential risk' of AI struggles

Bloomberg
New York

Apple Inc shares have been heavily tethered to US trade policies this year, but its annual developers conference could refocus Wall Street's attention on a potentially bigger problem: Its struggles with artificial intelligence (AI).

The iPhone maker's WWDC event kicked off yesterday and isn't expected to feature much in the way of major AI releases. That could shine a light on Apple's shortfalls with the critical technology, threatening further weakness for its shares with few obvious catalysts on the horizon to turn things around.

"It's hard to argue that Apple's lack of standing with AI isn't an existential risk, and it would be a real surprise if it came out with a significant AI development or application at WWDC," said Andrew Choi, portfolio manager at Parnassus Investments. "If it can paint a future where it is integrating and commoditising AI, that would be compelling, because otherwise, what is going to get people to buy their next phone for a lot more money?"

Shares are down almost 19% this year, making them by far the biggest drag on the Nasdaq 100, which has advanced 3.6%. While much of the selloff reflects Apple's exposure to President Donald Trump's tariffs and political uncertainty, its struggles with AI have been another significant headwind.


Tim Cook, Apple's chief executive officer, during last year's Worldwide Developers Conference. Apple shares have been heavily tethered to US trade policies this year, but its annual developers conference could refocus Wall Street's attention on a potentially bigger problem: Its struggles with artificial intelligence.

The conference marks the one-year anniversary of the introduction of Apple Intelligence, which sparked an initial wave of optimism that the AI features it unveiled would prompt consumers to upgrade their iPhones in droves. That proved premature, however, as features failed to impress and were repeatedly delayed, culminating with an AI-version of the Siri digital assistant getting postponed for the foreseeable future.

The lack of a robust AI offering stands in contrast to some Big Tech peers. Alphabet Inc recently debuted a number of well-received AI features, and Microsoft Corp is trading at all-time highs on AI optimism. Apple also faces potential competition from ChatGPT owner OpenAI, which said last month it's acquiring io, a device startup co-founded by Jony Ive, the legendary designer and former Apple executive.

Of course, Apple still offers plenty of attractive characteristics, including a huge user base, its high-margin services business, and immense profitability that it taps to return capital to shareholders through buybacks and dividends.

Those attributes still make the stock appealing to Mark Bronzo, chief investment strategist at the Rye Consulting Group, despite lagging in AI.

"I expect its AI features will be more functional than cutting edge, and that means there's nothing exciting about Apple where you'd want to own it over Nvidia, Microsoft, or Amazon, which have strong growth from their AI stories," he said. "The flip side is that Apple's cash flow and services business mean it can maintain its P/E in a downturn. It can sometimes be useful to be in a boring stock if the market goes sideways."

Still, Apple's AI struggles add to other investor concerns. Apple's revenue growth is projected to be about 4% in fiscal 2025, compared with 14% for Microsoft or 11% for Alphabet. It also trades at 27 times estimated earnings, well below a recent peak around 34, but a premium to its average over the past decade of 21.

Last week, Needham became the latest Wall Street firm to downgrade the stock. Generative AI innovations from competitors "open the door for new hardware form factors that threaten iOS devices," analyst Laura Martin wrote, cutting her rating to the equivalent of neutral.

Fewer than 60% of the analysts tracked by Bloomberg who cover the company recommend buying, the lowest such rate among the seven most valuable US technology companies, which include Microsoft, Nvidia Corp, Amazon.com Inc, Alphabet, Meta Platforms Inc and Broadcom Inc.

# Warner Bros plans to split streaming, cable TV businesses

Bloomberg
New York

Warner Bros Discovery Inc is splitting its streaming and film businesses from its traditional TV units, largely unwinding a three-year-old merger that tethered faster growing online operations to legacy cable channels that are losing subscribers.

The move is designed to boost returns for investors by unshackling the fast-growing streaming business from the legacy media channels, setting up two independent companies that could pursue deals on their own.

The Global Networks business will include entertainment, sports and dozens of cable television brands such as CNN, TNT and TBS and will be headed by Chief Financial Officer Gunnar Wiedenfels. It will hold a 20% stake in the other Streaming and Studios business, using proceeds from that entity as a way to cut debt, the company said in a statement on Monday. Warner Bros Chief Executive Officer David Zaslav will head up the Streaming and Studios business.

Warner Bros late last year already shifted its organisational structure into two divisions, as consumers shift away from traditional pay-TV to new online options. The announcement takes that effort one step further and will allow each unit to "pursue important investment opportunities and drive shareholder value," Wiedenfels said.

The move unwinds much of the 2022 merger that combined AT&T Inc's WarnerMedia, which houses iconic film studios and TV franchises, and Discovery Inc, home to nonfiction documentaries and reality TV. The deal created a company weighed down with debt at a time when cable TV, its largest business, was haemorrhaging viewers and advertising dollars. "The decision to separate Warner Bros. Discovery reflects our belief that each company can now go further and faster apart than they can together," Zaslav said on a call with investors.

Warner Bros said separately it will raise a bridge loan from JPMorgan Chase & Co of $17.5bn, which is expected to be recapitalised before the split. Warner Bros has already paid down almost $20bn in debt.

US media groups have struggled to improve their profitability in the face of an expensive streaming war against Netflix Inc and Amazon Prime. Comcast Corp has taken a similar path, dividing NBCUniversal into Versant — which will own cable networks like MSNBC and USA — and the rest, including the NBC broadcast network, streaming service Peacock and the Universal Studios theme parks.

Analysts have predicted a wave of consolidation as companies try to recover from a post-pandemic slump. Warner Bros has suffered declining revenue and subscribers in its cable network division, and its shares have suffered. The stock was down 7% this year through Friday's close and down more than 60% since the merger three years ago.

"Nowhere in the announcement of the merger did any of the principals acknowledge the attrition of the linear TV business, which was painfully evident," when Warner Bros and Discovery merged, said Paul Verna, vice president of content at EMarketer. Like the recent pivot back to HBO Max, "this move reveals a company fumbling its way through disruption."

# Jefferies hiring spree shows outsourcing boom on Wall Street

Bloomberg
New York

Jefferies Financial Group Inc has begun the process of hiring more than a dozen traders in order to capitalise on a quiet shift in Wall Street money management: The outsourcing of the buy-side trader.

The New York-based firm has already recruited nine additional traders for the effort and plans to bring eight more on board. With the extra staff, Jefferies is planning to push into offering outsourced trading for fixed-income products in addition to the equities desk it's had for years.

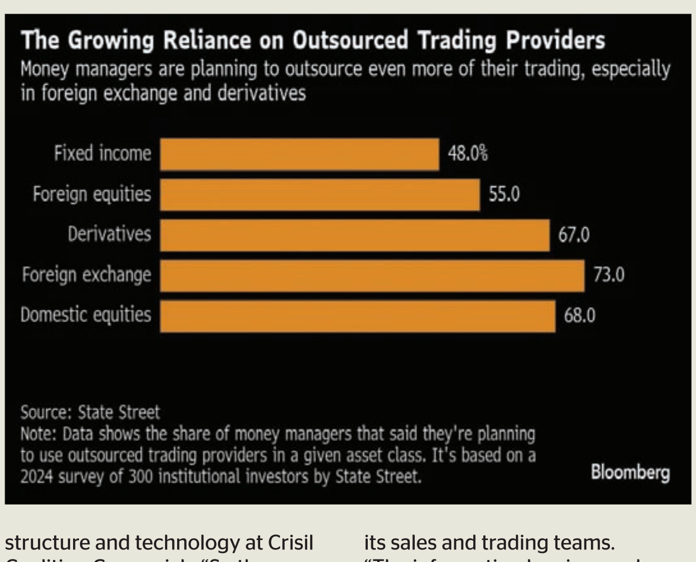
The firm is just one of a bevy of Wall Street firms jostling to capture more market share in the world of outsourced trading. A surprise decision by UBS Group AG to exit the business earlier this year has injected fresh momentum in the market. "A main theme has been the increase in the larger asset managers looking at this," said Amy Thorne, an executive at Northern Trust Corp, which recently signed up the money manager Artemis Investment Management to begin using its outsourced trading services. "This is not just a cost play."

Outsourced trading desks can help asset managers and hedge funds conduct their trading activity during busy periods or give them access to certain asset classes or geographies they weren't previously able to handle. Increasingly, though, some money managers are looking to these desks to replace their trading divisions entirely.

Proponents of the business say it creates better outcomes for end investors. Outsourced trading desks at a firm like Jefferies have access to a larger number of execution platforms — meaning they can book a trade for cheaper. It can also help smaller money managers access big counterparties like Goldman Sachs Group Inc and Morgan Stanley.

But it's a sensitive dance with customers. Critics argue such offerings mean a money manager loses a first-hand understanding of market conditions. They could also lose direct trading relationships with other banks.

"The buy-side's doing more with less these days," said Jesse Forster, a senior analyst of market structure and technology at Crisil Coalition Greenwich. "So those hesitancies are wearing away, but there is still an element of: 'Hey, I'm giving up a little bit of control. Is my boss going to like them better than me? Are they going to do too good of a job?'"




For Jefferies' part, the firm has been emphasising that it's offering "unconflicted" services for the buy side. The bank walls off the outsourced traders from the rest of its sales and trading teams.

"The information barriers we have in place ensure full segregation of order flow," Dean Gray, Jefferies' head of international outsourced trading, said in an interview.

"Each regional office is positioned separately to the rest of Jefferies' equity businesses to avoid conflicts of interest."

Another firm circling to pick up additional market share is Clear Street. The financial services firm hired Morgan Ralph, who previously led business development and platform management for the division at UBS, to set up its own outsourced trading desk, Bloomberg previously reported.

So far, the company has added six traders for the effort, according to Andy Volz, Clear Street's chief commercial officer. He expects that number to be closer to 20 within the next 18 months.

Cantor Fitzgerald LP offers outsourced trading for equities and equities derivatives, but now executives are preparing to branch out into crypto. The firm is already in early talks with asset managers about the new offering and is aiming to set up the new desk in the first half of next year, according to Thomas Regazzi, Cantor's global head of equity prime brokerage.

"You've got institutions coming out saying 'This is a real market, we need to consider it,'" Regazzi said.

Data compiled by State Street Corp. shows a growing number of institutional investors are embracing outsourced trading providers. In a 2024 survey of 300 money managers, the lender found that nearly three-quarters of them wanted to use such services to execute their foreign exchange trades. Another 67% wanted to deploy it for derivatives.

"Historically, it was said that heads of trading looked at outsourced trading in the same way turkeys thought about Christmas," said David Berney, who advises firms on outsourcing at Ergo Consultancy. "But the majority of firms don't outsource 100%."

Indeed, part of what's helped get more asset managers comfortable with these arrangements is the advent of 24-hour trading, Crisil Coalition's Forster said. Rather than hire teams of people to handle the increased order flow that's expected to come from that, investors could lean on outsourced trading providers to do that work for them in off hours.

"You're going to have more Asia managers, even European managers, looking for additional coverage in the US," he said.

Marex Group Plc, which has more than 30 outsourced traders globally, launched a desk in Dubai in recent weeks. It's onboarded a handful of hedge funds and family offices and aims to double this before the end of the year.