MONETARY POLICY | Page 4

Bank of England set to keep rates steady despite slower job market

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BUSINESS

STRATEGIC ACQUISITION: Page 2

BPCE to buy Lone Star's Novo Banco in €6.4bn deal

Qatar's Islamic fintech market to reach QR16.1bn in volumes by 2028: QFC

By Santhosh V Perumal
Business Reporter

Doha's Islamic fintech market is expected to record a 10% compound annual growth rate (CAGR) in the years to 2028, reaching QR16.1bn in total transaction volumes, according to the Qatar Financial Centre (QFC) report.

"This robust growth is being driven by increasing consumer demand, favourable regulatory frameworks, and strategic investments in fintech infrastructure," said the report.

Qatar's Islamic fintech market has seen remarkable growth during the past five years, reflecting a CAGR of 26%.

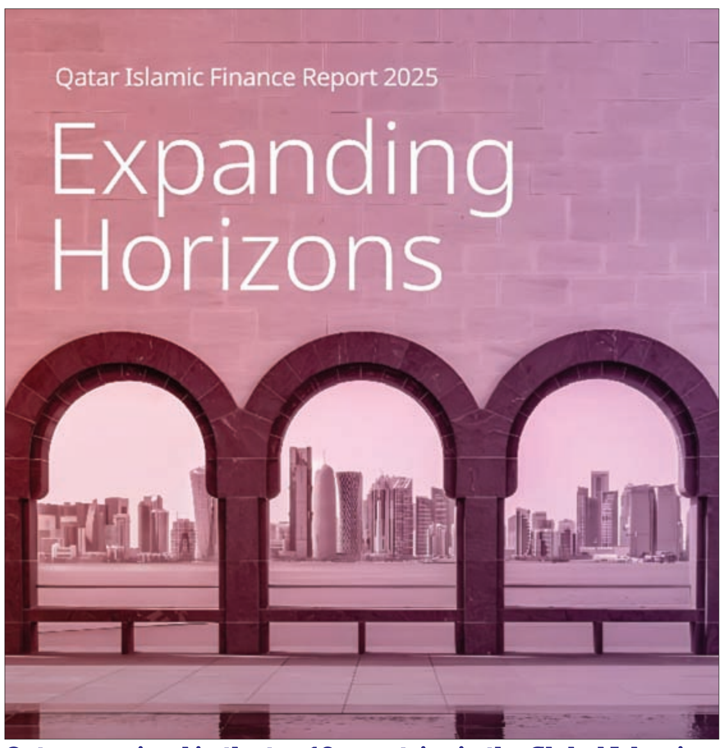
Total transaction volumes for Islamic fintechs based in Qatar more than tripled from QR3bn in 2020 to nearly QR10bn in 2024; it said quoting the latest Global Islamic Fintech (GIFT) report.

Qatar remained in the top 10 countries in the GIFT Index, ranking eighth in 2024, supported by a strong overall ecosystem, regulatory environment, and infrastructure for Islamic fintech.

New York-based Wahed, a digital Islamic investment platform and one of the world's largest Islamic fintechs, set up a regional office at the QFC in 2024, expanding its presence in the region.

By offering innovative Shariah-compliant investment solutions, Wahed aims to cater to the growing demand for Islamic and ethical investments in the region.

"This strategic move marks a significant milestone for Islamic fintech in Qatar, aligning with the country's vision to become a leading Islamic finance hub," the report said. Payments and enabling technologies constitute the largest segments of Qatar's Islamic fintech market, by number of companies, reflecting the region's focus on modernising Islamic financial services.



Qatar remained in the top 10 countries in the Global Islamic Fintech Index, ranking eighth in 2024, supported by a strong overall ecosystem, regulatory environment, and infrastructure for Islamic fintech

This aligns with the broader region, where the digital payments sector is experiencing significant growth driven by the increasing adoption of e-commerce, mobile payments, and contactless payment solutions.

"Growing use of digital wallets and mobile payment apps highlights the region's shift towards seamless and secure digital transactions," it said.

Enabling technologies, which include innovations such as blockchain and AI (artificial intelligence), are crucial for modernising financial services in Qatar and enhancing the overall financial infrastructure, it said, adding they also support the development of more secure and efficient financial systems, which are essential for the growth of Islamic fintech.

Meanwhile, the digital assets segment, encompassing digital currencies and tokenised assets, is growing in importance, reflecting the region's efforts to integrate advanced financial instruments within the framework of Islamic finance, it said.

The report highlighted that the transparency, security, and decentralisation provided by blockchain technology are particularly appealing in the context of Islamic finance, which emphasises ethical and transparent financial practices.

"This segment is poised for substantial growth, supported by the QFC's increased regulatory and development focus on digital assets," it added.

Highlighting that BNPL (Buy Now-Pay Later) solutions are rapidly gaining traction in the region, driven by increasing demand for flexible payment solutions and the rise of e-commerce; the report said the region has seen significant adoption of BNPL services, with companies like Tamara and Tabby leading the market and reshaping consumer behaviour.

"In Qatar, the potential for Islamic fintechs in this area is substantial," it said, adding by integrating BNPL services with Islamic finance, fintechs in Qatar can provide a value proposition that combines financial inclusivity with adherence to Shariah principles.

Qatar has already taken significant steps to capitalise on this opportunity, with the QCB approving five companies, including Spendwisor and PayLater, to participate in a regulatory sandbox for BNPL services.

Oil surge is latest headwind for tariff-rattled global economy

Bloomberg
London

For a global economy that's been buffeted by trade tensions all year, lower energy prices were one of the few positives. If a surge in the price of oil after Israel carried out airstrikes against targets in Iran is sustained, that tailwind will switch to become yet another headwind.

Oil prices advanced as much as 13% in the aftermath of the attack. JPMorgan has previously warned prices could spike to $130 a barrel in the "severe outcome" of a blockade to flows via the Strait of Hormuz or a broader conflagration in the Middle East.

"It comes really at an unfortunate time for the global economy given the already heightened uncertainty and chaotic nature we are dealing with coming out of the US protectionist stance," Katrina Ell, Moody's Analytics head of Asia Pacific economics, said on Bloomberg Television.

For the US, a substantial and sustained increase in oil prices would add to the inflationary impulse from President Donald Trump's tariffs, Bloomberg Economics analysts Jennifer Welch, Adam Farrar and economist Tom Orlik wrote in a note.

"Coming hard on the heels of the post-pandemic surge in inflation, and with concern that inflation expectations are not firmly anchored, that would be difficult for Fed Chair Jerome Powell & Co to look through," they said.

In a separate note, Orlik and Chief US Economist Anna Wong ran the numbers on what a surge in the price of oil would mean for the US economy. They found a jump in the price of Brent to $100 a barrel would result in a 17% increase in all grades of gasoline prices in the US, corresponding to a rise to $4.2 a gallon from $3.25 a gallon. They estimate that would add 0.6 percentage point to headline CPI, boosting the year-over-year change to the CPI to 3.2% in June.

The Federal Reserve meets next week to set interest rates, as do monetary authorities in the UK, Sweden, Switzerland, and Japan.

Central banks will likely acknowledge the growing uncertainties but will be inclined to look through the impact of higher oil prices from today's attack, said Diana Mousina, Sydney-based deputy chief economist at AMP Ltd.

"I don't think that any oil price dislocation is going to change the trajectory for interest rates," she said. "It's just another layer of volatility in the market."

In the event of a prolonged conflict, disruptions to shipping through the Strait of Hormuz would have a significant impact on the global liquefied natural gas market too.

While investors may be concerned that supplies could be interrupted if hostilities escalate, Opec+ members, including Saudi Arabia, still have abundant spare capacity that could be activated. In addition, the International Energy Agency may choose to co-ordinate the release of emergency stockpiles to try and calm prices.

QSE key index gains 68 points; M-cap adds QR2.74bn

By Santhosh V Perumal
Business Reporter

WEEKLY REVIEW

Early indications of the US-China trade talks had its reflection on the Qatar Stock Exchange (QSE) as its key index gained as much as 68 points and capitalisation added about QR3bn this week.

The foreign funds were seen bullish as the 20-stock Qatar Index rose 0.65% this week which saw the Qatar Financial Markets Authority's 2024 annual report disclose that the QSE-listed firms undertook five indirect acquisitions valued at QR583mn during 2024.

The banking counter witnessed higher than average demand this week which saw Doha Bank disclose that a leading domestic investor acquired a portion of Qatar Investment Authority's stake in it.

However, the local retail investors turned net profit takers in the main market this week which saw a Qatar Financial Centre report suggest that Doha can leverage its robust financial infrastructure to develop and list more sector-specific exchange traded funds or ETFs such as those focused on energy, financial service, and construction and real estate.

The Arab individuals were seen increasingly bearish in the main bourse this week which saw a total of 10,112 AlRayan Bank-sponsored exchange traded fund QATR worth QR0.02mn trade across nine deals.

More than 51% of the traded constituents were in the red in the main market this week which saw as many as 1,569 Doha Bank-sponsored exchange-traded fund QETF valued at QR0.02mn change hands across four transactions.

The Gulf retail investors turned net profit takers in the main bourse this week which saw as many as 0.1mn sovereign bonds valued at QR1.04bn change hands across three transactions.

The domestic funds were seen net sellers in the main market, which saw no trading of treasury bills.

The foreign individuals turned bearish in the main bourse this week which saw 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 – disclose that Qatar's Islamic finance sector saw a 4.1% year-on-year growth in assets to QR683bn during 2024.

The Islamic index was seen gaining slower than the other indices of the main market this week, which saw A M Best, a global insurance rating agency, confirm 'A-(Excellent)' rating on Qatar Islamic Insurance with a "stable" outlook. Market capitalisation added QR2.74bn or 0.43% to QR627.07bn on the back of mid and small cap segments this week which saw the industrials and banks together constitute more than 50% of the total trade volumes.

The foreign funds were seen bullish as the 20-stock Qatar Index rose 0.65% this week.

Trade turnover and volumes were on the decline in the main bourse; while it was on the rise in the venture market this week which saw Fitch, a global credit rating agency, confirm 'A' rating in Qatar Islamic Bank with a "stable" outlook.

The Total Return Index gained 0.65%, the All Islamic Index by 0.28% and the All Share Index by 0.65% this week.

The banks and financial services sector index shot up 1.41%, transport (0.45%), consumer goods and services (0.44%, insurance (0.43%) and telecom (0.05%); while industrials and real estate declined 0.94% and 0.32% respectively this week.

Major movers in the main bourse included Beema, Commercial Bank, AlRayan Bank, Ahlibank Qatar, QIIB, QNB, Estithmar Holding, Qamco, Qatar Insurance, QLM and Nakilat.

Nevertheless, Gulf International Services, Qatar German Medical Devices, Al Faleh Educational Holding, Ezdan, Qatar Islamic Insurance, Lesha Bank, Mannai Corporation, Industries Qatar and Mazaya Qatar were among the shakers in the main market. In the junior bourse, Techno Q saw its shares depreciate in value this week.

The foreign institutions turned net buyers to the tune of QR124.23mn compared with net sellers of QR92.16mn the previous week.

However, the local individuals were net sellers to the extent of QR69.77mn against net buyers of QR30.35mn the week ended June 4.

The Arab retail investors' net selling increased substantially to QR33.12mn compared to QR10.92mn a week ago.

The Gulf individual investors turned net sellers to the tune of QR6.51mn against net buyers of QR5.09mn the previous week.

The domestic funds were net sellers to the extent of QR6.21mn compared with net buyers of QR57.72mn the week ended June 4.

The Gulf institutions turned net profit takers to the tune of QR4.88mn against net buyers of QR6.47mn a week ago.

The foreign retail investors were net sellers to the extent of QR3.64mn compared with net buyers of QR3.14mn the previous week.

The Arab institutions turned net profit takers to the tune of QR0.1mn against net buyers of QR0.32mn the week ended June 4.

The main market saw an 8% plunge in trade volumes to 626.46mn shares, 14% in value to QR1.4bn and 31% in deals to 73,657 this week.

In the venture market, trade volumes more than quadrupled to 0.18mn equities and value also more than quadrupled to QR0.48mn on more than tripled transactions to 44.

Private equity stuck in limbo gets help from direct lenders

Bloomberg
New York

As private equity firms struggle to sell the companies they own and return cash to investors, their counterparts in the world of private credit are offering special loans to tide them over.

Direct lending arms at shops from Ares Management Corp to Neuberger Berman Group and even private equity titan KKR & Co have all launched what some are calling “dequity” funds — to convey the presence of both debt and equity — to the tune of $30bn industry-wide since 2023, according to data compiled by Preqin.

Demand for this type of stopgap financing has soared even more lately as cash-strapped private equity firms face a prolonged deal drought.

Higher borrowing costs as well as erratic US trade policies have made it harder for corporate buyers to appraise the value of potential targets or for sponsors to figure out how public stock offerings will go. That's left PE firms saddled with their portfolio companies longer than they had planned, creating a situation where they don't have enough money to distribute to their limited partners.

“We are quite busy,” said JT Munch, managing director at Neuberger who works on this type of financing. “In today's market, private equity firms aren't always able to sell a controlling stake in a business at a valuation they like. As a result, they're willing to get creative and consider hybrid solutions as a way to return capital to LPs.”

Recent deals include Consumer Cellular Inc's refinancing of its capital structure, where it received a $525mn preferred equity investment to pay a dividend to GTCR, its PE owner.

In May, insurance broker Acrisure Holdings Inc. received a $2.1bn in convertible senior preferred stock investment in a deal led by Bain Capital's special situations arm. Adevinta ASA — backed by Blackstone Inc. and Permira — is set to receive a colossal private credit investment, part of which will fund a dividend.

Direct lenders are well-equipped to do this kind of work, especially as more of them have popped up in recent years, said Mustafa Humayun, a partner and portfolio manager at Sagard Credit Partners. They are targeting borrowers that have seen earnings growth stall or not go according to plan, “but the company isn't distressed,” he said.

The funding has real appeal for portfolio companies that have limited options and want to extend their runway, according to Christopher Sheldon, partner and co-head of credit and markets at KKR.

“There is also a lot of volatility, which means business owners are less likely to get to valuations that make selling their companies attractive and are also facing a scarcity of growth capital in traditional channels,” he said. “They could raise debt, but that is often too restrictive, or they could raise equity capital, but that could be too dilutive.

At the same time, it's pricier than most other forms of debt and sits lower on the capital structure, reducing a creditor's odds of recovering losses.

“It might not be the most attractive option since it is more expensive, but in many cases, it's the option that is on the table,” said Matthew Schernecke, a partner at Hogan Lovells. “Providers of hybrid capital have to be able to look at the deal from the perspective of being an owner, since in a downside case you could be in that position,” he said, referring to the lack of seniority a creditor would have in the capital structure.

Still, demand for the funding is only expected to grow.

Private equity funds tend to hold companies for five to seven years before moving those assets and paying investors. But after years of sluggish deal activity, there's as much as $3.2tn of unsold private equity assets sitting in funds, according to a 2024 report from Bain, leaving sponsors in need of liquidity.

“There's an eagerness to get money back to LPs, particularly given a recent slowdown in realisations,” Neuberger's Munch said.

The increased need for rescue capital could set the stage for clashes between creditors, a normal occurrence in the broadly syndicated market that has appeared less frequently in the clubby, relationship-driven world of direct lending. But loan agreements have become more permissive as the competition in the sector has increased, meaning that some existing investors risk being superseded in the capital structure by fresh hybrid financing.

Existing lenders usually “welcome this type of capital, because it protects their investment, and comes in below them,” said René Canezin, managing partner at Evolution Credit Partners.

“However, sometimes the capital can take out the existing lenders, or strip them of collateral, and that's where the tension begins.”

JPMorgan Chase & Co is mulling a potential significant risk transfer linked to a portfolio of high-yield corporate loans.

Deutsche Bank AG has more than doubled the size of a significant risk transfer, with the deal now tied to a portfolio of $6.9bn of loans.

Beach Point Capital and Sparta Capital Management is providing a $190mn private credit loan to Cipriani.

Lenders including Blackstone Inc. and Oak Hill Advisors upsized a debt package for Circana by $100mn and repriced the financing.

Fed to keep rates on hold at least until September as inflation risks linger

Reuters
Washington

The US Federal Reserve will keep interest rates on hold for at least another couple of months, according to most economists polled by Reuters, as risks linger that inflation may resurge due to President Donald Trump's tariff policies.

With most trade negotiations incomplete as the July 9 deadline for a 90-day pause on tariffs announced in April approaches, forecasters have been reluctant to change their already fragile economic outlook. Rising concerns about US debt and a deluge of bond issuance fuelled by a sweeping tax cut bill passed by the House of Representatives, but not the Senate, are not helping.

Data on Friday showed no signs of significant stress building in the labour market, suggesting the Fed is in no hurry to cut interest rates any time soon.

All but two of the 105 economists in the June 5-10 Reuters poll predicted the Federal Open Market Committee would keep the fed funds rate unchanged at its June 17-18 meeting in a 4.25-4.50% range, where it has been since the start of the year. Around 55% of economists — 59 of 105 — said the Fed would resume cutting next quarter, most likely in September and in line with interest rate futures pricing.

That outlook has not changed from last month.

“As long as the labour market looks fine, we expect the FOMC to continue to stay on hold, and use rhetoric to bolster their inflation-fighting credibility. Until there is a cost, why signal otherwise?” said Jonathan Pingle, chief US economist at UBS.

“At the moment ‘grey area’ seems more ‘charcoal’... the Committee is facing a substantial amount of uncertainty.” Inflation expectations have remained elevated on predictions of high US trade barriers. The administration has recently raised aluminium and steel tariffs to 50% from 25%.

US officials are currently engaged in trade talks with top Chinese officials in London, looking to secure a breakthrough. In the meantime, consumers are expecting price pressures to surge in coming years, while economists predict inflation to remain well above the Fed's 2% target until at least 2027. A significant 42% minority of poll participants — 44 of 105 — expect the FOMC to resume cutting rates in the fourth quarter of 2025 or later, with 20 predicting no cuts this year.

“High tariffs are here to stay, and they will produce elevated inflation that is sustained well into 2026,” said James Egelhof, chief US economist at BNP Paribas.

“The Fed will see little need to cut... the lesson we have from history is, if inflation becomes entrenched in the economy, it can be very hard and very costly to remove.”

There was no clear consensus on where the rate would be by end-2025, but about 80% of economists — 85 of 105 — predicted the fed funds rate in a 3.75-4.00% range or higher.

Trump called for a full percentage point reduction to 3.25-3.50% immediately on Friday. The president's signature bill making its way through Congress is expected to add $2.4tn to an already enormous $36.2tn debt pile, making a rate cut more unlikely.

“With more fiscal stimulus coming out of the tax and spending bill, the Fed sees less of a case for supporting the economy with lower interest rates,” said Bill Adams, chief economist at Comerica Bank.

French banking group BPCE to buy Lone Star's Novo Banco in €6.4bn deal

Bloomberg
Lisbon

A Novo Banco bank branch in Lisbon. French banking group BPCE agreed to acquire Lone Star's Novo Banco in a deal valuing the Portuguese lender at an estimated €6.4bn in what's set to be a key cross-border acquisition for Europe.

French banking group BPCE agreed to acquire Lone Star's Novo Banco SA in a deal valuing the Portuguese lender at an estimated €6.4bn ($7.4bn) in what's set to be a key cross-border acquisition for Europe.

The transaction is expected to close during the first half of 2026, Novo Banco said in a regulatory filing on Friday. “The decision by the majority shareholder to pursue a direct sale to BPCE represents a clear strategic opportunity, positioning Novo Banco to join one of Europe's strongest financial groups,” the Portuguese lender said.

US private equity firm Lone Star owns a 75% stake in Novo Banco, while Portugal's government holds 25% through entities including the country's Resolution Fund.

An acquisition of Novo Banco by BPCE, whose units include Banque Populaire and Natixis, will help to further cross-border banking consolidation in Europe at a time when governments have been hampering such deals. Spain has been opposing the planned takeover of Banco Sabadell SA by BBVA SA, while Italy imposed a series of conditions on UniCredit SpA's planned purchase of Banco BPM SpA. Meanwhile, Germany has said it's against a potential acquisition of Commerzbank AG by UniCredit.

The Novo Banco deal will add to the $27bn of acquisitions announced in the banking industry this year, according to data compiled by Bloomberg.

Bloomberg News reported on Wednesday that BPCE had emerged as the leading bidder to acquire Novo Banco, pulling ahead of its main rival, Spain's CaixaBank SA. Lone Star had also considered the possibility of selling Novo Banco shares through an initial public offering.

Portuguese Finance Minister Joaquim Miranda Sarmento said on May 21 that Spanish banks shouldn't further increase their presence in the country.

Spanish lenders now already represent about a third of Portugal's banking market and that value shouldn't increase, “due to a matter of concentration and of dependency,” he said. CaixaBank already owns Banco BPI SA, Portugal's fifth-largest bank. Novo Banco is Portugal's fourth-biggest lender and has about €17bn in corporate loans, €10bn in mortgage loans and €2bn in personal loans, according to a May 6 presentation.

It has 1.7mn clients. BPCE's Natixis has an office in the northern Portuguese city of Porto.

Novo Banco posted its first profit in 2021 and its net interest income climbed as central banks raised interest rates.

The lender previously had to shed assets and sell soured debt to reduce its non-performing loan ratio, which was one of the highest in Europe after the bank emerged from the breakup of Banco Espirito Santo a decade ago. Banco Espirito Santo, once Portugal's biggest lender by market value, got a roughly €5bn rescue in 2014 after regulators ordered it to raise more capital following the disclosure of potential losses on loans linked to companies in the family-controlled Espirito Santo Group.

The Portuguese central bank moved the lender's deposits and most of its assets to Novo Banco. Lone Star then agreed to inject €1bn in Novo Banco when it bought its stake in the bank in 2017.

Wall Street draws bigger crowd for riskier corporate loans

Bloomberg
New York

Wall Street banks are back to selling second-lien loans, a riskier kind of corporate debt, thanks to demand from a wider swathe of lenders including their private credit rivals and conventional investors.

Second-liens have in recent years been largely provided by private credit firms. But banks are once again selling these transactions to investors including collateralised loan obligations — the biggest buyers of leveraged loans — to slash borrowing costs for issuers.

Wall Street firms are pocketing extra fees by syndicating these deals that may have otherwise been led by direct lenders.

When the Bank of Montreal led a $1bn second-lien loan for insurance firm Alera Group Inc last month, it had enough demand from both buyer bases to sell the loan at 5.5 percentage points over the benchmark rate and at a slightly discounted price of 99.5 cents on the dollar. Typically, second-lien loans are sold at a greater discount to par to compensate investors for risk.

“Historically, spreads on second-lien loans were far wider than first-lien loans, and companies were not in a position to service second-lien debt from a cash-flow perspective,” said Rob Fullerton, head of leveraged finance at Jefferies Financial Group Inc.

Demand is high enough that second-lien loans are often only paying about 200 basis points more interest than their first-lien counterparts, according to Fullerton. That's making it cheaper for the borrowers, making it an easier sell to tack on such liabilities.

For KKR & Co's buyout of post-trade services company OSTTRA last month, banks sold $300mn of second-lien debt through a syndicated process.

The loan, ranked eight rungs into junk status by Moody's Ratings, snared enough investors at a rate of 5.5 percentage points over the benchmark, tighter than initial plans of 6 percentage points over the benchmark. It priced about 2 percentage points wider than a first-lien term loan.

Four Syndicated Second-Lien Loans Have Priced This Year

Borrower	Loan size	Leading bank	Date
Alera Group Inc.	$1 billion	Bank of Montreal	May
OSTTRA	$300 million	KKR Capital Markets	May
Kaseya Inc.	$925 million	Morgan Stanley	March
Applied Systems Inc.	$565 million	Nomura	January

Source: Bloomberg

Bloomberg

Still, second-lien debt is a higher-stakes bet for any investor. These loans are often assigned weak junk credit ratings. In the event of a bankruptcy, these lenders' holdings are vulnerable to being wiped out. These transactions, which make up a sliver of the broader leveraged loan market, signal more activity could come after years of depressed volume.

About $2.8bn of second-lien transactions priced through May 29, according to data compiled by Bloomberg, slightly less than the $3.5bn in the same period last year, as volatility in April froze debt markets.

A major problem for banks looking to sell second-lien loans is the capacity of CLO managers. CLOs can only buy into so many deals, because the second-lien ratings are often in the CCC bucket, just a few notches above a potential default. “Depending on how you want to dip your toes in the buckets by manager is going to affect your desire to have a second-lien exposure,” said Jon Poglitsch, managing director at Sycamore Tree Capital Partners. CLOs hold bundles of loans with different ratings, but managers aim to limit exposure to debt rated in the CCC tier to less than 7.5% of total holdings. Managers generally prefer to buy debt with these ratings in the cheaper secondary marketplace, where these tranches trade at a bigger discount to par, according to David Rosenberg, head of liquid performing credit of Oaktree Capital Management.

“CLOs don't like to buy new-issue CCC loans at par as they have a limited basket for CCCs,” said Rosenberg. “Private lenders, on the other hand, do not care about ratings and have a lot of dry powder to spend.” In cases where CLO managers don't want additional second-lien debt supply, private credit can consume the loans either through a publicly syndicated process or a private placement.

Last month, Goldman Sachs Group Inc led a roughly $1.6bn debt deal for cybersecurity business Proofpoint Inc, the bulk of which was a $1.2bn second-lien tranche offloaded to private credit firms.

As pricing on first-lien direct loans has tightened, private credit firms are looking for extra yield. Syndicated second-lien paper can provide that.

Direct lenders can also have a fear of missing out. In some cases, including deals for Kaseya Inc and Alera, banks are refinancing private debt. A second-lien loan alongside a broadly syndicated deal allows direct lenders to stay with companies they've extended credit to in the past. JPMorgan Chase & Co is leading a $1.9bn first-lien loan for insurance brokerage Trucordia, which will refinance private debt from lenders including BlackRock Inc. and Blue Owl Capital Inc. The latter is staying in by leading a $548mn second-lien portion.

Mike Best, a portfolio manager for senior-secured loans at Barings, said he was surprised second-lien loans were being syndicated to a broader swath of investors, but believed direct lenders would be the ultimate buyers of the debt. “Now that private credit is flush with cash, and with fewer mergers and acquisition deals to put it toward, managers in the upper-end of the market might be participating in more syndicated processes,” Best said.

Investor rush for India exposure revs up IPOs

Bloomberg
Mumbai

India's market for share sales is warming up after a several dull months, as companies and shareholders cash in on a buoyant stock market.

The South Asian nation saw $6.4bn raised through share sales in May, the highest monthly total since December 2024, according to data compiled by Bloomberg. Block trades worth $5bn were the biggest contributors, marking the busiest month for such deals since March last year. The momentum has carried into June, with at least 10 blocks raising $1.2bn in the first week alone.

Indian stocks are now positioned for more gains after the central bank delivered a bigger-than-expected interest rate cut and injected further liquidity into the banking system. This has supported a rally that's already underway, with the benchmark NSE Nifty 50 Index rebounding from its April lows, which were triggered by concerns over US President Donald Trump's broad tariffs.

"Right now, investors are saying, 'I need exposure to India — and I need it fast,'" said Sunil Khaitan, a managing director leading financing in India at Goldman Sachs Group Inc. "Block trades remain the quickest and most efficient way to get that exposure."

The recent torrent of deals stands in contrast to the lull earlier in 2025, when local deals cooled off after a record-breaking year. India even ceded its position to Hong Kong as the world's second-largest market for share sales in the first three months of the year, weighed down by an unexpected slowdown in economic growth and cautious corporate earnings forecasts.

Some of the largest recent block trades include British American Tobacco Plc's $1.5bn sale of tobacco manufacturer ITC Ltd's shares, Singapore Telecommunications Ltd's $1.5bn selldown of wireless carrier Bharti Airtel Ltd's stock and billionaire Rakesh Gangwal's $1.4bn disposal of shares in InGo's parent company. Private equity firm Carlyle Group and South Korean automaker Hyundai Motor Co were also among those paring their India holdings.

The flurry of activity with blocks appears to be spilling over to IPOs. HDB Financial Services Ltd. recently secured a nod from the securities regulator for a first-time sale that could raise $1.5bn. Prudential Plc's Indian asset management venture is also nearing a filing for a listing expected to fetch as much as $1.2bn, according to people familiar with the matter.

Better-than-expected corporate earnings and decent economic growth provide a robust backdrop for deals, which could include billion-dollar IPOs later this year, said Samarth Jagnani, Morgan Stanley's head of global capital markets for India and Southeast Asia.

"The second half will be better," he said.

Despite the recovery, Indian deals remain well below last year's $66bn record. Total share sales — including IPOs, placements and blocks — have raised $15.5bn so far this year, 29% lower from the year-ago period, according to Bloomberg-compiled data.

Some IPOs are also moving ahead with tamer valuations: Solar-pump maker Oswal Pumps Ltd this week said its IPO was looking to raise Rs13.9bn ($162mn), lower than what it targeted last year.


Electronic board indicates stock figures at the the National Stock Exchange in Mumbai. India's market for share sales is warming up after a several dull months, as companies and shareholders cash in on a buoyant stock market.

Foxconn sends 97% of India iPhone exports to US as Apple tackles Trump's tariffs

Reuters
New Delhi

Nearly all the iPhones exported by Foxconn from India went to the US between March and May, customs data showed, far above the 2024 average of 50% and a clear sign of Apple's efforts to bypass high US tariffs imposed on China.

The numbers, being reported by Reuters for the first time, show Apple has realigned its India exports to almost exclusively serve the US market, when previously the devices were more widely distributed to countries including the Netherlands, the Czech Republic and Britain.

During March-May, Foxconn exported iPhones worth $3.2bn from India, with an average 97% shipped to the US, compared to a 2024 average of 50.3%, according to commercially available customs data seen by Reuters.

India iPhone shipments by Foxconn to the US in May 2025 were worth nearly $1bn, the second-highest ever after the record $1.3bn worth of devices shipped in March, the data showed.

Apple and Foxconn did not respond to Reuters requests for comment.

US President Donald Trump on Wednesday said China will face 55% tariffs after the two countries agreed on a plan, subject to both leaders' approval, to ease levies that had reached triple digits.

India is subject, like most US trading partners, to a baseline 10% tariff and is trying to negotiate an agreement to avert a 26% "reciprocal" levy that Trump announced and then paused in April. Apple's increased production in India drew a strong rebuke from Trump in May. "We are not interested in you building in India, India can take care of themselves, they are doing very well, we want you to build here," Trump recalled telling CEO Tim Cook.

In the first five months of this year, Foxconn has already sent iPhones worth $4.4bn to the US from India, compared to $3.7bn in the whole of 2024.

Apple has been taking steps to speed up production from India to bypass tariffs, which would make phones shipped from China to the US much more expensive. In March, it chartered planes to transport iPhone 13, 14, 16 and 16e models worth roughly $2bn to the US.

Apple has also lobbied Indian airport authorities to cut the time needed to clear customs at Chennai airport in the southern state of Tamil Nadu from 30 hours to six hours, Reuters has reported.

The airport is a key hub for iPhone exports.

"We expect made-in-India iPhones to account for 25% to 30% of global iPhone shipments in 2025, as compared to 18% in 2024," said Prachir Singh, senior analyst at Counterpoint Research.

Tata Electronics, the other smaller Apple iPhone supplier in India, on average shipped nearly 86% of its iPhone production to the US during March and April, customs data showed. Its May data was not available.

The company, part of India's Tata Group, started exporting iPhones only in July 2024, and only 52% of its shipments went to US during 2024, the data showed.

Chinese economy withstands tariff rollercoaster in May

Bloomberg
Beijing

The Chinese economy rode out the tariff rollercoaster in May even as domestic consumption likely weakened again, after the government's massive fiscal stimulus and frontloading by exporters offset shocks from abroad.

Official data due on Monday will show industrial production and fixed-asset investment held steady, according to the median estimates of economists surveyed by Bloomberg. But retail sales growth, a key gauge of consumption, probably slipped below 5%, with a contraction in property investment deepening further.

The latest snapshot of the economy will offer the fullest glimpse yet into how China coped with the turmoil unleashed by US President Donald Trump's trade war. A tariff truce reached by Beijing and Washington in mid-May gave temporary relief to exports from China that would have faced duties of as much as 145% from the US.

But the overall picture of resilience masks vulnerabilities that may increasingly become a drag on the economy in the months ahead. Morgan Stanley estimates growth is tracking at 4.8% this quarter while warning it "may decelerate quickly" in the second half, "with slower exports and a sluggish consumption appetite."

Analysts polled by Bloomberg forecast gross domestic product growth will slip to 4.5% this year, significantly below the official target of around 5%. It expanded 5.4% in the first quarter.

"As external headwinds persist, and as the over-arching policy priority remains promoting technology and innovation, the supply-demand imbalance may not be rectified in a decisive manner," Morgan Stanley economists led by Robin Xing said in a report. "We continue to see subpar nominal GDP growth in 2025-26."

Still, the economy's relative strength so far this year will likely buy the government more time before it needs to deploy more support to prop up growth. China's four-month budget deficit reached a record high — a stimulus push followed in May by the central bank's cuts to its policy rate and the reserve requirement ratio.

Adding to Beijing's confidence, the US and China agreed to maintain tariffs at their current, lower levels following the two nations' talks in London.

Despite a more favourable backdrop for trade, China's prolonged property crisis, deflationary pressure and worries about unemployment still threaten the confidence of households and businesses.

Here's what to expect when the National Bureau of Statistics publishes the data on Monday:

Consumption: Retail sales probably grew 4.9% in May from a year ago, compared with 5.1% in the previous month. While slowing from the start of the year, their performance is still markedly higher than last year's monthly figures.

In a test of consumer demand, the five-day Labor Day break in May saw retail and catering sales expand at a slower pace relative to last year, but spending per tourist was up modestly from 2024.

The mixed results illustrated the challenges Beijing faces in relying on domestic consumption to counter the jolt of US tariffs on the economy. Households show little sign of abandoning their thrifty ways, with confidence still subdued as a result of deflationary pressure and a yearslong property slump.

Industry: China's industrial output likely expanded 6% in May, similar to April's gain of 6.1%. The sector has benefited from exporters shipping goods early to avoid tariffs. Factory activity contracted at a slower rate in May after a reprieve in the tariff war unclogged trade flows.

China's industrial companies have also fared well thanks to the government's program to subsidise upgrades of equipment and consumer goods by businesses and households. Still, signs of risk abound, with exports rising less than expected last month after the worst drop in shipments to the US in more than five years.

Investment: Fixed-asset investment probably continued growing at 4% in the first five months, in a rebound from a slowdown in the second half of 2024.

The government has brought forward its sales of bonds this year, providing an early boost to infrastructure project funding.

"China's activity data for May are unlikely to show a growth lift from the US-China trade-war pause. Slower-than-expected export growth suggests the lower tariffs effective in mid-May will take more time to affect production. Holidays and subsidy programs will probably support consumption to a degree. But sluggish sentiment remains a drag on spending," says Chang Shu and Eric Zhu, analysts at Bloomberg.

The property sector probably suffered a deeper decline in investment last month, reflecting a continued downturn in the broader market after previous signs of improvement proved fleeting.

The stronger performance of the industrial sector relative to consumption is likely to continue, a worry for policymakers if external demand comes under more pressure.

"The impact of tariffs has remained modest so far," Macquarie Group Ltd economists Larry Hu and Yuxiao Zhang said in a report. "As a result, policymakers don't need to shift the growth driver from exports/manufacturing to consumption."

Turkiye's central bank is expected to hold its key interest rates steady

Reuters
Istanbul

Turkiye's central bank is expected to keep its main one-week repo rate unchanged at a policy meeting next week but at the same time cut the upper band of its rate corridor, a Reuters poll showed yesterday.

In the poll, 10 of 15 respondents forecast that the central bank would hold its one-week repo rate steady at 46%. The others predicted cuts of different sizes, ranging from 350 basis points to 100 basis points.

After the jailing of Istanbul Mayor Ekrem Imamoglu sparked a sharp selloff in Turkish assets in March, the central bank hiked its policy rate to 46% from 42.5% in April, reversing an easing cycle that had begun in December.

The overnight funding rate was also hiked by 700 basis points since the mayor was arrested, and it has largely remained at 49% since the April tightening. If the bank continues to adjust its funding overnight rate to 46%, 300 of the 700 basis points of tightening would be reversed. According to the median of the poll, with seven economists responding to the question, the central bank could cut the overnight lending rate by 150 basis points to 47.5% at the June meeting next week.

Economists are monitoring the liquidity steps taken by the central bank, including ramping up repo auctions since Tuesday, to see the level of average cost of central bank funding to predict the bank's policy moves.

In another signal of change, overnight interest rates dropped below 48% and the average cost of funding has dropped to around 46%, from near 49% last week.

The modest liquidity-easing measures were seen as setting the stage for the bank first lowering the market overnight rate toward 46%, where the policy rate is set, and later for easing overall monetary policy as soon as this summer.

Turkish annual consumer price inflation slowed to 35.41% in May, rising 1.53% month-on-month, lower than a Reuters poll forecast.

In May, the central bank kept its year-end inflation forecast unchanged at 24% and vowed to tighten policy if inflation worsens. It also said there are upward risks to inflation, adding the bank has flexibility to set its funding rate above the policy rate with its tools.

The central bank increasing funding through repo allowed a gradual easing in average cost of funding and it will likely approach the level of the policy rate close to the meeting next week, Morgan Stanley said, showing normalisation in the operational framework.

A slowdown in GDP growth will support disinflation and decline in the underlying core inflation trend is also promising for the balance of risks around the inflation outlook, Morgan Stanley also said.

"We expect the first outright cut (to 43.50%) at the July meeting. We see the year-end policy rate at 36%," it said.

The policy rate is expected to fall to 35% by end-2025 according to the median of the poll. Forecasts ranged between 32.5% and 38.5%. In the poll conducted in April, participants expected the policy rate to fall to 34% by year-end.

Eurozone bond yields edge up, spreads widen after Israel attacks Iran

Reuters
London

Eurozone benchmark Bund yields edged up on Friday after briefly hitting three-month lows, as a rush into safe-haven government bonds following Israel's wide-scale strikes against Iran faded.

Euro area borrowing costs reversed an earlier drop as the policy rate outlook remained stable, with markets pricing a European Central Bank deposit facility rate at 1.75% in December at levels seen since after the last ECB policy meeting last week.

They ticked up after US President Donald Trump urged Iran to make a deal over its nuclear programme, saying that there was still time for to prevent further conflict with Israel.

"These events typically affect equities and oil prices more directly," said Massimiliano Maxia, senior fixed income specialist at Allianz Global Investors.

Oil prices jumped more than 7% on Friday, trading near multi-month highs.

"Government bond markets tend to be less affected unless monetary policy expectations change," he added.

German 10-year Bund yields rose 1.5 basis points (bps) to 2.49%, having marked a session low of 2.422%, the lowest since March 3. Yields on the two-year Schatz rose 2 bps to 1.83%. Bund yields also recorded their largest weekly decrease since late March, with a decline of 8 bps. Money markets priced in around a 60% chance of an ECB easing move in September, while fully pricing such a move by December.

ECB Executive Board Member Isabel Schnabel said on Thursday that interest rates are in a "good place", despite an expected slowing of inflation, because price growth is likely to return to the ECB's target of 2% over the medium term.

Analysts argued that with rates at a neutral level, a pause of the easing cycle looks very likely, although some officials do not want to take another cut off the table.

The euro zone's economy has proven resilient but faces several risks, such as tariffs, that could curb growth, ECB Vice-President Luis de Guindos said on Thursday.

Longer-dated 30-year German debt was up one bp at 2.97%, after hitting 2.898%, its lowest since May 2. A drop in appetite for risk assets widened yield spreads for government bonds of highly indebted countries, such as Italy and France, against the safe-haven Bunds. Investors argued that the Italian spread — the benchmark for the euro area's non-core countries — moves in line with risk assets unless there is a very specific Italy-related driver.

BoE set to keep rates on hold despite slower job market

Reuters
London

The Bank of England (BoE) is set to keep rates on hold next week, sticking with its gradual approach to cuts after a reduction in May, but investors will look for hints on whether a slowing economy and weaker wage growth could speed up the pace of easing.

All 60 economists polled by Reuters this month expect the BoE to keep rates on hold at 4.25% this month and almost all expecting the next quarter-point rate cut to come in August. A large majority seeing a further quarter point reduction to 3.75% in the final three months of this year.

"If the outcome of June's meeting is largely a foregone conclusion, the path of the market into the August forecast round comes down to the market's assessment of the risk around alterations to guidance," Moyeen Islam, fixed income strategist at Barclays, said in a note to clients this week.

So far, the central bank has taken what it calls a "gradual and careful" approach to cutting rates due to persistent inflation pressures and wage growth, only reducing rates four times, or every quarter, since August 2024.

But BoE policymakers became more divided in their decision making at the May meeting, tempering investor expectations of a faster pace of rate cuts before weaker domestic data revived bets that the central bank will keep up its a quarterly pace.

The Bank of England in the City of London. The BoE is set to keep rates on hold next week, sticking with its gradual approach to cuts after a reduction in May, but investors will look for hints on whether a slowing economy and weaker wage growth could speed up the pace of easing.

The Monetary Policy Committee voted 5-4 to reduce borrowing costs by 25 basis points to 4.25% from 4.5% in May in its first meeting since US President Donald Trump announced wide-ranging tariffs on trade partners. Policymakers were split three ways in their decision making.

Two BoE's policymakers Swati Dhingra and Alan Taylor, voted for a bigger half-point cut, while another pair — chief economist Huw Pill and Catherine Mann — unexpectedly voted in May to hold rates at 4.5%. Some of the majority who voted for a cut also said they might not have done so had it not been for Trump's April 2 tariff announcements.

Weaker labour market data this week helped restore expectations that the BoE will continue to cut rates on a quarterly basis this year, despite higher employment taxes and a minimum wage that pushed up labour costs in April.

British regular and private sector wage growth cooled in April — though at over 5% it is well above levels the BoE is comfortable with — and the number of workers on company payrolls in May fell by the most in five years, while the jobless rate rose to its highest since 2021.

Britain's Office for National Statistics reported that consumer price inflation jumped to 3.5% in April from 2.6% in March — largely due to one-off effects. The ONS later said it had made an error and that the true CPI rate was 3.4%. Fresh CPI data is due the day before the BoE's decision.

Last month the BoE forecast CPI, on a quarterly basis, would peak at 3.5% in the third quarter of this year while the economy would grow a modest 1% in 2025.

Financial markets are currently pricing two more quarter-point rate cuts by the BoE, a projection that was seen as slightly less likely after Israel's large-scale military strike on Iran on Friday triggered a surge in oil prices.

The BoE has been much slower than the European Central Bank to cut rates. The ECB has chopped its benchmark rate by 2 percentage points since June 2024 — including a quarter-point cut last week after inflation returned to the central bank's 2% target.

The Federal Reserve cut rates three times last year, reducing borrowing costs by 1 percentage point, and investors expect a half-point more in cuts by the end of the year.

"Borrowing phrasing from the Fed and then the ECB last week too, policy seems to be in a good position, allowing the BoE to wait and see how economic conditions and the international political backdrop evolve," Investec economist Ellie Henderson said in a note to clients.

Britain's economy slowed sharply in April, with official figures showing it shrank by the most since 2023, despite expanding by a stronger-than-expected 0.7% in the first three months of this year.

Output in April was hit by the end of a tax break on house purchases and the initial impact of Trump's tariffs. British goods exports to the US dropped to their lowest in more than three years after a record 2bn pounds ($2.71bn) monthly fall.

'US consumer sentiment up, but economic worries remain'

AFP
Washington

US consumers bounced back somewhat in June from the shock of President Donald Trump's wide-ranging tariffs, survey data showed yesterday, but they still remain pessimistic about the economy.

The University of Michigan's index for consumer sentiment rose for the first time in six months, jumping 16% to 60.5 from a 52.2 reading in May.

But the preliminary result remains about 20% below what it was in December 2024, underscoring worries about business conditions and personal finances. After returning to the presidency, Trump in April imposed a 10% tariff on most US trading partners. Steeper duties for dozens of economies are due to take effect in July unless a pause is extended.

Trump has also slapped sharp levies on imports of steel, aluminium and automobiles, roiling financial markets, snarling supply chains and tanking consumer sentiment.

But the impact on inflation remains muted for now as businesses rely on existing inventory and the president's tempered his approach to some of his most punishing duties.

"Consumers appear to have settled somewhat from the shock of the extremely high tariffs announced in April and the policy volatility seen in the weeks that followed," said Survey of Consumers Director Joanne Hsu in a statement. "However, consumers still perceive wide-ranging downside risks to the economy," she added.

Consumers' views of business conditions, personal finances, the jobs market and stock market all remain "well below six months ago," Hsu said. "Despite this month's notable improvement, consumers remain guarded and concerned about the trajectory of the economy," she added.

Inflation expectations for the long run also slipped to the lowest in three months.

But Hsu cautioned that expectations of price hikes are still above readings from the second half of 2024.

Trump's orders delay CFTC effort to get out of $21mn lease

Bloomberg
Washington

Even before Donald Trump retook the White House and Elon Musk's DOGE fanned out across government, the CFTC was on board with reducing its real estate footprint, saving taxpayers millions of dollars.

It agreed to trade its cavernous DC headquarters, with its floor-to-ceiling windows and grand meeting hall, for smaller, more utilitarian space three miles away.

But now the Commodity Futures Trading Commission has found itself stymied by construction delays and conflicting mandates from the White House.

The effort to slash the agency's $21mn annual rent has run into Trump's January 20 executive order requiring federal workers to return to the office full-time. The CFTC's new space won't be ready before the current lease expires at the end of September. A year ago, staff could have worked remotely in the interim, as they did during and after the Covid-19 pandemic, or used empty space at other agencies. Those are no longer options.

Now the CFTC is engaged in 11th-hour negotiations with its current landlord to keep its current space. The agency says it is close to finalising a one-year extension for a little over $20mn, a 4.5% decrease in the current rent.

A spokesman said the arrangement is "logical and fiscally responsible," allowing the staff "to continue their work uninterrupted while the new facility is completed," while avoiding "the costs, inefficiencies and inconveniences of moving twice." The eventual move will fall to Trump's pick to lead the agency, crypto venture capital executive Brian Quintenz, whose confirmation hearing was June 10.

Against the costs of tax cuts, health care, border security and the administration's other priorities, the CFTC's lease is the smallest of potatoes. Still, it's one of the bigger line items in the agency's roughly $400mn budget and an example of how the Trump administration's rapid-fire policy making can lead to clashing priorities.

"The smart answer would be to look at this case-by-case," said Peter Cappelli, Director of the Center for Human Resources at the Wharton School at the University of Pennsylvania. Patent attorneys don't need to work on-site, he said. Air traffic controllers do.

"It takes time and effort to make accurate decisions about remote work on an agency basis," he said. "Taking action fast means across-the-board, which also means making a lot of mistakes."

The Commodity Futures Trading Commission headquarters in Washington, DC. The effort to slash the agency's $21mn annual rent has run into Trump's January 20 executive order requiring federal workers to return to the office full-time. The CFTC's new space won't be ready before the current lease expires at the end of September.

The CFTC's current lease has long been an albatross. In 2016, the Government Accountability Office found the agency was only using about 80% of the 288,000 square-foot space. The GAO and the agency inspector general have also criticised the CFTC for improperly accounting for the costs of its DC offices when it negotiated the current lease more than a decade ago. It resolved the matter, in part, by agreeing that the General Services Administration would take the lead on negotiating future leases, even though the CFTC is one of the few federal agencies allowed by law to manage its real estate independently. Meanwhile, occupancy continued to drop. By 2022, three out of four agency employees were regularly working remotely.

Former CFTC Chairman Rostin Behnam and the GSA found smaller offices three miles away, in the Patriots Plaza complex, for $6mn a year – a savings of almost $15mn. On a per-square-foot basis, it was more than 50% cheaper.

But the new offices won't be ready before mid-2026, and last year, the CFTC began to negotiate with the GSA to use empty space at the National Aeronautic and Space Administration headquarters.

When Trump ordered federal workers back to the office, the discussions ended.

The GSA said it's working closely with all its agencies to reach the "best possible workplace solutions" that meet the administration's return-to-work policies.

But without the temporary space, and with remote work off the table, acting Chairman Caroline Pham began negotiating for an extension of the current lease. "This extension is necessary as a result of President Trump's Presidential Memorandum (PM), "Return to In-Person Work," the agency said in a notification posted to a government contracting website.

The CFTC's existing budget will cover the costs of the lease extension, the spokesman said, adding that regardless of the President's return-to-work mandate, going fully remote would also require temporary space to house the IT infrastructure.

The National Treasury Employees Union, which represents CFTC staff, is still fighting the demands for full-time office attendance, calling it "shortsighted and wasteful."

According to their existing union contract, CFTC employees are entitled to work remotely four days a week, and most of the agency's 400 local staffers do – or did, before Trump's return-to-work mandate and adjacent efforts to nullify union rights for more than 1mn federal employees.

"CFTC employees have a long record of successfully teleworking part of each week going back years before the pandemic, and this decision to extend an expensive lease ignores that history at a very high cost to American taxpayers," Doreen Greenwald, national president of the National Treasury Employees Union, said in an emailed statement.