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Fed should cut rates now with labour market on edge, says official

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ECB can afford to wait until December to make final cut

Nakilat aims to reduce carbon intensity by at least 40% against 2008 levels, says report

By Santhosh V Perumal
Business Reporter

Nakilat aims to reduce carbon intensity (carbon dioxide emissions per transport work) by at least 40% against 2008 levels.

Additionally, it strives to reduce total annual greenhouse gas (GHG) emissions from international shipping by at least 20%, with a goal of achieving a 30% reduction by 2030, according to its ESG (environment, social and governance) report for 2024.

"Looking further ahead, the company aims to reduce total annual GHG emissions by at least 70%, striving for 80%, by 2040 compared to 2008 levels," it said.

To achieve these ambitious goals of net zero, Nakilat is at present focusing on performance optimisation of its existing fleet, modernisation of fleet, and modernising its fleet with new technologies.

Nakilat, a leader in energy transportation, recognises the urgent need for environmental sustainability in the shipping industry and accordingly has embarked on a journey towards achieving phased reduction including net-zero emissions, with a comprehensive roadmap and a series of strategic initiatives aimed at reducing its carbon footprint.

On performance optimisation of the existing fleet involves several measures; it said hull cleaning is conducted regularly to improve vessel performance, leading to a decrease in fuel consumption and greenhouse gas emissions.

Propeller polishing is done every six months to enhance energy efficiency, resulting in significant reductions in fuel consumption and emissions. The application of silicon-based paints on vessels further improves energy efficiency and reduces fuel consumption, contributing to overall emissions reduction efforts. Stressing that voyage and speed optimisation are also key components of Nakilat's strategy; it said the company uses advanced weather forecasting tools and route optimisation software to avoid adverse weather conditions that would increase resistance and fuel consumption.

Nakilat strives to reduce total annual greenhouse gas emissions from international shipping by at least 20%, with a goal of achieving a 30% reduction by 2030, according to its ESG report for 2024

By optimising voyage and speed, Nakilat minimises fuel consumption and reduces emissions of CO_2, sulphur oxides (SO_x), and nitrogen oxides (NO_x). Nakilat has installed emission monitoring tools on its fleet vessels to consistently monitor emission data and implement corrective measures to improve efficiency.

Additionally, fleets are fitted with Engine Power Limitation (EPL) mechanisms to reduce GHG emissions by limiting the maximum power output of the ship's engine.

This directly leads to a proportional dip in fuel consumption and emissions, it said, adding "in our efforts to modernise the existing fleet, Nakilat has conducted pilot projects using biofuel during voyages, significantly reducing carbon emissions.

Nakilat has converted a vessel from heavy fuel oil (HFO) to LNG (liquefied natural gas), which produces far lower levels of SO_x, NO_x, particulate matter, and CO_2 compared with HFO.

The report said real-time emissions monitoring across the fleet is ongoing, using digital dashboards to track fuel consumption, emissions, and energy use.

Nakilat is also involved in the new building of LNG carriers, utilising the latest technologies and options available for more energy-efficient and environmentally friendly ships.

This modernisation effort ensures that its fleet remains at the forefront of sustainability and emissions reduction," it said.

Chevron prevails in Exxon fight and closes deal to buy Hess

Bloomberg
New York

Chevron Corp won its arbitration battle with Exxon Mobil Corp and has closed its $53bn deal to buy Hess Corp more than 20 months after the takeover was announced.

The decision is a major victory for Chevron, ending a period of strategic limbo that hurt its stock and prompted questions over the quality of the company's due diligence when it agreed to buy Hess in October 2023. Chevron Chief Executive Officer Mike Wirth said in 2024 he would walk away from the deal if they lost the case.

"This creates a premier international and oil and gas company," Wirth said in an interview with Bloomberg Television.

The clash between North America's biggest energy producers was unprecedented in the modern history of Big Oil, an industry in which companies routinely partner with each other to minimise project risk and share costs. Exxon, which operates and owns 45% of Guyana's offshore Stabroek Block, claimed it had a right of first refusal over the disposition of Hess's 30% stake.

Hess and Chevron, however, argued the right didn't apply because their deal was structured as a corporate merger rather than an asset sale. In an interview yesterday, Wirth said the outcome of the deal was never in doubt.

"This was a straightforward plain reading of a contract," he said. "It is unfortunate that Hess' employees and Hess' shareholders were put through this. It should have been resolved much quicker."

The uncertainty surrounding the deal has been a "material contributor" to the underperformance of Chevron's stock price compared to its rivals, Wirth said in November. Acquiring Hess and its stake in Guyana significantly increases the quality of Chevron's oil assets beyond the Permian Basin of Texas and New Mexico, narrowing the gap with Exxon, Hedgeye Risk Management, LLC Managing Director Fernando Valle said.

"Adding Guyana was critical for Chevron, because it's go-forward portfolio was paltry outside of the Permian," Valle said.

Both sides had expressed extreme confidence in their opposing positions on the wording of the Guyana contract, which was written more than 15 years ago.

"We wrote these documents — we understood the intent of those documents," Exxon Chief Executive Officer Darren Woods said in December. "That gives us a lot of confidence in the position that we've taken."

After the arbitration ruling Friday, Exxon said it had an obligation to shareholders to pursue the case. "Given the significant value we've created in the development of the Guyana resource, we believed we had a clear duty to our investors to consider our preemption rights to protect the value we created," the company said.

The deal's completion is a win for arbitrage traders who were betting on the spread between Hess's share price and the exchange ratio agreed with Chevron.

Hedge funds including Millennium Management, Pentwater Capital Management and HBK Investments LP had staked billions of dollars on the deal closing, according to data compiled by Bloomberg.

The deal calls for Hess shareholders will receive 1.0250 Chevron shares for each Hess share. Chevron plans intends to issue about 301mn shares of common stock as part of the transaction.

Positive signals from earnings expectations lift QSE 88 points

By Santhosh V Perumal
Business Reporter

WEEKLY REVIEW

Positive signals from the US on inflation and domestic corporate earnings expectations helped the Qatar Stock Exchange (QSE) overcome weak sentiments due to tariff uncertainties as the bourse closed the week on a positive note.

The foreign funds were increasingly net buyers as the 20-stock Qatar Index rose 88 points or 0.81% this week which saw Qatar Islamic Bank (QIB) report net profit of QR2.18bn in the first half (H1) of 2025.

The real estate and banking counters witnessed higher than average demand this week which saw Commercial Bank Group report net profit (before Pillar Two Tax) of QR1.37bn in H1-2025.

About 74% of the traded constituents extended gains to investors in the main market this week which saw Doha Bank report net profit of QR467mn in January-June this year.

The foreign individuals were seen net buyers, albeit at lower levels, in the main bourse this week which saw Ahlibank report net profit of QR402mn in H1-2025.

The domestic institutions' weakened net selling had its influence on the main market this week which saw Woqod report net profit of QR460mn in H1-2025.

However, the local retail investors were seen increasingly net sellers in the main bourse this week which saw Aamal Company enter into an agreement with Al Jazi Real Estate to purchase the Golden (Aamal) Tower in Onaiza for a total price of QR478.4mn.

The Arab retail investors turned bearish in the main market this week which saw the Qatar Central Bank's data disclose 54.87mn transactions valued at QR15.89bn through payment system in June 2025 with E-commerce outpacing point-of-sales both in value and the number of deals.

The Gulf individuals were seen net profit takers in the main bourse this week which saw a total of 0.01mn AlRayan Bank-sponsored exchange traded fund QATR worth QR0.03mn trade across 17 deals.

The Arab institutions were increasingly bearish in the main market this week which saw 0.05mn Doha Bank-sponsored exchange-traded fund QETF valued at QR0.49mn change hands across eight transactions.

The Islamic index was seen gaining slower than the other indices of the main market this week, which saw as many as 0.1mn sovereign bonds valued at QR1.05bn change hands across two transactions.

Market capitalisation shot up QR7.52bn or 1.17% to QR647.65bn on the back of large and midcap segments this week which saw no trading of treasury bills.

The foreign funds were increasingly net buyers as the 20-stock Qatar Index rose 88 points or 0.81% this week

Trade turnover and volumes were on the increase in the main market; while it was on the decline in junior bourse this week which saw the real estate, consumer goods and banking sectors constitute more than 73% of the total trade volumes.

The Total Return Index rose 0.92%, the All Islamic Index by 0.72% and the All Share Index by 0.99% this week.

The realty sector index soared 2.87%, banks and financial services (1.3%), consumer goods and services (0.78%), insurance (0.77%), industrials (0.51%) and transport (0.43%); while telecom fell 0.3% this week. Major gainers in the main market included Mannai Corporation, Medicare Group, Ezdan, Estithmar Holding, Barwa, Qatar Islamic Bank, QNB, Alijarah Holding, Al Faleh Educational Holding, Qamco, Al Khaleej Takaful, Beema, United Development Company and Nakilat this week.

Nevertheless, Doha Bank, Ahlibank Qatar, Qatar Cinema and Film Distribution, Dukhan Bank and Ooredoo were among the shakers in the main bourse. In the venture market, Techno Q saw its shares depreciate in value this week. The foreign institutions' net buying increased markedly to QR157.21mn compared to QR136.08mn the previous week.

The Gulf institutions were net buyers to the tune of QR27.11mn against net sellers of QR36.67mn the week ended July 10.

The foreign individual investors turned net buyers to the extent of QR0.74mn compared with net sellers of QR2.46mn a week ago.

The domestic institutions' net profit booking weakened significantly to QR21.79mn against QR32.83mn the previous week.

However, the local individuals' net selling grew substantially to QR141.91mn compared to QR77.58mn the week ended July 10.

The Arab individual investors were net sellers to the tune of QR12.29mn against net buyers of QR13.55mn a week ago.

The Gulf retail investors turned net sellers to the extent of QR8.38mn compared with net buyers of QR0.11mn the previous week.

The Arab institutions' net profit booking expanded marginally to QR0.69mn against QR0.2mn the week ended July 10.

The main market saw 20% jump in trade volumes to 769.63mn shares, 23% in value to QR2.24bn and 23% in deals to 115,627 this week. In the venture market, trade volumes shrank 14% to 0.3mn equities, value by 15% to QR0.82mn and transactions by 51% to 50.

Debt demands rise in Canada as Carney prepares more spending

Bloomberg
Ottawa

The supply of Canada's government debt is set to hit a record this fiscal year as Prime Minister Mark Carney pledges to use the federal balance sheet to make investments in the economy.

Gross issuance — the amount of government of Canada bonds and treasury bills put to market — is expected to rise to C$612bn this fiscal year, according to an updated debt management strategy released by the Department of Finance on Wednesday.

The debt demands exceed the previous record set during the Covid-19 pandemic in fiscal year 2020-21, when the government spent billions on transfers to households and businesses. About C$80bn of debt issued at that time was in five-year notes maturing this year, a major reason the government says borrowing needs are "expected to remain elevated." "Canada remains one of the fastest growing bond markets in the advanced economies," Ian Pollick and Arjun Anath of Canadian Imperial Bank of Commerce wrote in a report to investors.

The debt plans are typically released alongside a budget or fiscal update. But Finance Minister François-Philippe Champagne doesn't plan to release a budget until October.

A debt management plan released at that time is likely to better capture the mounting need for financing that stems from the government's plans to boost spending on defence and infrastructure, coupled with reduced revenues from slower economic growth.

Currently, financial requirements are seen at C$147bn this year, up from C$127bn forecast by the federal government in December.

"The large increase in financing requirements is one indication that the deficit is likely to print significantly higher than projected last year, at least C$70 billion," Dominique Lapointe, a macro strategist at Manulife Investment Management, said by email.

Analysts and markets mostly shrugged off the release, as many participants had been briefed by the Finance department on similar federal debt plans in April. Carney's election platform also pointed to deeper deficits and debt. Yields on benchmark Canadian government bonds were little changed Thursday.

"It was basically the same as the preliminary guidance they gave to dealers," Taylor Schleich, a rates strategist with National Bank Financial, said in an interview.

"Given they've now incorporated announced measures through June 9, it's somewhat surprising that issuance is little changed but a welcomed development," he said.

Champagne has asked federal cabinet members to find savings and reduce costs in the government and public service.

BP agrees to sell US onshore wind business to LS Power

Bloomberg
London

BP Plc agreed to sell its US onshore wind business to LS Power, as the company continues efforts to pivot back toward its core oil and gas business and reverse years of share underperformance.

The deal completes the UK energy giant's exit from wind power generation, transferring ownership of 10 assets across seven US states, according to a statement.

The value wasn't disclosed, but BP said will provide an update on divestment proceeds when it reports second-quarter results early next month.

Chief Executive Officer Murray Auchincloss is seeking to demonstrate progress on a turnaround plan announced in February, which included a return to growing oil and gas production and divesting $20bn of assets after abandoning a low carbon strategy. The company's shares have continued to underperform most of its rivals this year, while the oil major faces pressure from activist Elliott Investment Management.

"We have been clear that while low carbon energy has a role to play in a simpler, more focused BP, we will continue to rationalise and optimise our portfolio to generate value," Executive Vice-President William Lin said in the statement. "The onshore US wind business has great assets and fantastic people, but we have concluded we are no longer the best owners to take it forward."

BP's divestment programme aims to reduce debt and improve the balance sheet. Lubricants business Castrol is the marquee asset BP is trying to sell, which could fetch $8bn to $10bn, analysts have said. The firm is also seeking to sell the Gelsenkirchen refinery in Germany and a stake in its solar and battery storage unit Lightsource BP.

"Any progress BP makes on its targets, including smaller asset sales, is positive, but it might still not be enough for investors who were underwhelmed by the turnaround plan announced in February," Morningstar analyst Allen Good said. "It may require additional cost cuts, capital reductions, and asset sales for the market to become excited."

UBS Group estimates the US onshore wind unit's enterprise value is about $1.5-2bn, "although a proportion is likely off balance sheet already".

The assets have a combined gross generating capacity of 1.7 gigawatts, BP said.

BP's retreat from the wind business follows a splashy entrance to offshore wind in 2020 under Auchincloss' predecessor Bernard Looney. BP spun off its global offshore wind portfolio late last year.

ECB can afford to wait until December to make final rate cut, shows survey

Bloomberg
Frankfurt

Christine Lagarde, president of the European Central Bank. The ECB can delay its final interest-rate cut until December without investors concluding in the meantime that easing is over, a Bloomberg survey of economists showed.

The European Central Bank (ECB) can delay its final interest-rate cut until December without investors concluding in the meantime that easing is over, a Bloomberg survey of economists showed.

A majority continues to expect the last quarter-point reduction in the deposit rate, to 1.75%, will come in September after a pause next week. At the same time, half of respondents think the ECB can sit out three meetings before traders assume borrowing costs are at their floor. That's longer than before, due to uncertainty over trade.

This month's timeout has been well flagged by officials led by President Christine Lagarde, who sees the ECB in a "good place" to navigate any challenges to economic growth and inflation that may arise. But there's less of a consensus beyond the summer.

While Executive Board member Isabel Schnabel considers the bar for another cut to be "very high," Finland's Olli Rehn and France's Francois Villeroy de Galhau fret that price gains will fall short of 2%, particularly if the euro strengthens more against the dollar.

July's decision "should be relatively straightforward, with most Governing Council members likely to back rates being on hold," said Fabio Balboni, senior euro-zone economist at HSBC. "While some will see this as a pause, others will see it as the end of the cutting cycle. This could generate some discussions about the rates path beyond July."

About a quarter of survey participants reckon the ECB is already done lowering rates. Almost half predict a last move in September, while 21% see it arriving in December. That's the month when Mariano Valderrama, Intermoney's chief economist, forecasts the first hike. While his call for a rate increase is the earliest, roughly one in five respondents expect one before the end of 2026.

"The ECB is in a wait-and-see mode. We think that will eventually lead to further easing in September and December.

In the meantime, we expect the Governing Council's language after the meeting on July 24 to be similar to the wording in June, leaving open the possibility of additional cuts without committing to them", says David Powell, senior euro-area economist at Bloomberg.

Whichever path policymakers choose will depend largely on trade talks between Brussels and Washington. After the European Union signalled it was close to a deal, US President Donald Trump threatened tariffs of 30%.

"The development in trade negotiations between the EU and the US is the most important thing to watch, as this can tip the current balance between domestic strength and foreign demand," said Julie Ioffe, European macro strategist at TD Securities.

With an agreement unlikely by the time the ECB meets next week, the Governing Council will be "unable to signal whether an additional cut is necessary or if the terminal rate has been reached."

The main challenge, said SEB's Jussi Hiljanen, is to "avoid guiding markets either towards or away from another rate cut."

Traders see a less than 50% chance of a decrease in September. A reduction is almost fully priced by year-end. In September and December, policymakers can consult fresh economic forecasts for the 20-nation eurozone. Last month, the ECB predicted inflation will settle at 2% in 2027 after averaging just 1.6% next year.

Analysts see risks to June's projections as largely balanced. They're equally divided on whether over- or undershooting the inflation target is likelier. "Downside risks are probably greater near term; upside risks for inflation may be greater by the medium term," said Dennis Shen, an economist with Scope Ratings.

German yield curve takes cues from US Treasuries

Reuters
Berlin

The German bond yield curve was heading for its fourth straight week of steepening, as investors shifted their focus to expansionary fiscal plans, pushing long-dated yields higher while the short-dated ones held steady.

Euro area government bond markets took also cues from US Treasuries, where 10-year yields rose amid concerns over the Federal Reserve's independence and a potential inflation resurgence driven by tariffs.

German 2-year government bond yields — more sensitive to expectations for European Central Bank policy rates — rose one basis point (bps) to 1.85% yesterday. They were around the same levels in early June. Germany's 10-year government bond yield, the euro area's benchmark, climbed one bp to 2.70%. It was at around 2.48% in early June.

The gap between German 10-year and 2-year yields is on track for a 4 bps rise this week. It's also about to post a significant monthly increase in July, following a period of stability since April.

US Treasury yields fell in early London trade, with the 10-year down 2 bps at 4.44%, after rising modestly across most maturities on Thursday.

Economists expect the European Central Bank to stay on hold at the policy meeting next week, while possibly acting in September when there will be more clarity about the economic impact of tariffs and the outcome of trade negotiations between the US and the European Union.

"If, on August 1st, the US increases tariffs on Europe, I would expect some retaliation from the EU, so there is a risk of a tit-for-tat escalatory round," said Paul Hollingsworth, head of developed markets economics at BNP Paribas. "But that still seems like the tail risk rather than the central case right now. A deal still looks likely to be done before August 1st," he added.

Money markets still priced in a 90% chance of a 25 bps ECB rate cut by December, and a 40% chance of an easing move in September.

"We have to be prepared to have an asymmetrical tariff agreement, but once again with the lowest possible rates on both sides," German Chancellor Friedrich Merz said yesterday.

Italy's 10-year government bond yields were up 2 bps at 3.58%, with the spread between BTPs and Bund yields — a market gauge of the risk premium investors demand to hold Italian debt — at 88 bps. It hit 84.20 bps in June, its lowest since March 2015.

"We're relatively constructive when it comes to spreads. We think that this tightening that we've seen has been justified by fundamentals," BNP Paribas' Hollingsworth said, recalling that the fiscal backdrop is not deteriorating in the peripheral countries while their economies are growing.

Analysts are more cautious on France as risks of a no-confidence motion would likely intensify once a detailed budget bill is presented to parliament in October.

French Prime Minister Francois Bayrou proposed a 43.8bn euro squeeze on Tuesday, which left-wing and far-right politicians immediately criticised.

Wells Fargo suspends China travel after employee exit ban

Reuters
Beijing

Wells Fargo has suspended all travel to China after a banker was blocked from leaving the country, a person familiar with the matter told Reuters on Thursday, causing broader anxiety about the risks of travel in the country.

The US banking giant's Chenyue Mao was subjected to an exit ban after she entered China in recent weeks, the *Wall Street Journal* reported, citing people familiar with the matter.

"We are closely tracking this situation and working through the appropriate channels so our employee can return to the US as soon as possible," Wells Fargo said in a statement emailed to Reuters.

China's foreign ministry spokesperson Lin Jian told a press briefing yesterday that he was not familiar with the Wells Fargo matter, adding that China was committed to providing a welcoming environment for foreign companies to do business.

A senior Trump administration official on Thursday said they could not comment on the reports of Mao being refused permission to leave China, citing privacy considerations.

The ban could worsen concerns among multinational companies about the risks of doing business in China, particularly around employee safety and freedom of movement. The incident could also chill corporate travel to the country and complicate relations between the world's two biggest economies.

Broader US-China relations remain tense, shaped by deepening strategic, economic, and geopolitical rivalries.

Mao was born in Shanghai and is based in Atlanta, according to a June 2025 release from FCI, where she serves as chairwoman. FCI, formerly named Factors Chain International, is a global network of companies that do business in the factoring and financing of trade receivables.

Even before the incident with the Wells Fargo employee, some of the large banks had been asking their employees to exercise more caution while travelling overseas by carrying additional documents, considering the geopolitical risks and some concerns around immigration policies, a source at a large bank said.

People walk on the Bund promenade, with Shanghai World Financial Center in the background, where a Wells Fargo office is situated, in Shanghai. Wells Fargo has suspended all travel to China after a banker was blocked from leaving the country.

"This kind of event is not a step in the right direction," said Mark Headley, co-founder and CEO of Matthews Asia, a San Francisco-based asset manager with $6.5bn in assets. Matthews Asia has a team based in Hong Kong, and five dedicated China funds as well as a roster of broader emerging market and pan-Asian funds.

"Should I be worried about my employees in China or travelling there? It certainly has leaped to the front of my mind yet again," Headley said. "We've seen a long pattern since I first travelled to China in 1991 of the country being very tricky to work in, to seeming totally normal, to being tricky again." Headley has not suspended corporate travel to China, but told Reuters on Thursday that he will monitor events closely.

"Right now I don't feel that the Chinese authorities will go after foreign tourists" or senior executives of companies that are among China's biggest trading partners and crucial to its economic growth, Headley said.

Before her election as FCI chair in June, Mao served as vice chair of the body. The industry body did not immediately respond to a Reuters request for comment on the matter.

Wells Fargo CEO Charlie Scharf is a member of the Business Roundtable, a group of company leaders that was addressed by US President Donald Trump earlier this year.

Mao is a US citizen, according to the source who said Wells Fargo has suspended travel to China.

She has been a banker at Wells Fargo for over a decade, according to her LinkedIn profile. She currently serves as a managing director at the lender and spearheads its international factoring business, as well as advising multinational clients on cross-border working-capital strategies.

Factoring is a financing method where companies sell their receivables to third parties, such as banks, in exchange for immediate cash. The third party, known as the factor, profits by purchasing the receivables at a discount and collecting the full amount later.

The Wall Street Journal reported it could not be determined precisely when Mao entered China, or what prompted the travel restriction.

She has worked and interacted with Chinese companies and industry groups on trade financing and international factoring matters, the Journal reported, adding she also sometimes travelled to China for business.

China mulls measures to avoid economic slump in second half of the year

AFP
Beijing

China has a "plentiful" toolbox to avoid an economic slump in the second half of the year, its commerce minister said yesterday as he admitted it faced a "very severe and complex situation".

Growth hit 5.2% in the second quarter, official data showed on Tuesday, but analysts have warned that more must be done to boost sluggish domestic consumption as exports face the knock-on effects of global trade turmoil.

Retail sales rose far less than expected last month and were much weaker than May, suggesting efforts to kickstart consumption have fallen flat.

"We are still facing a very severe and complex situation. Global changes are unstable and uncertain. Some of our policies will provide some new responses according to the times and circumstances," Wang Wentao told journalists at a news briefing.

"Our toolbox is plentiful, and we will be fully prepared." Asked specifically about China's reliance on exports, Wang suggested the government was preparing policies to "further stimulate the momentum of our consumption development".

"China's economy is improving, and the long-term fundamentals have not changed, the consumption market's characteristics of great potential, strong resilience and vitality have not changed," he said.

Wang also namechecked Beijing-based toymaker Pop Mart, whose Labubu monster dolls have become a must-have item internationally, adorning the handbags of celebrities such as Rihanna and Dua Lipa.


Wang Wentao, China's minister of commerce, speaks during a press conference in Beijing yesterday. China's economy is still facing a "very severe and complex situation", the minister said, suggesting the government would take action to counter challenges ahead.

"We are also promoting new forms of consumption… for example Pop Mart, these kinds of new trends, new fashions and styles… the Labubu phenomenon has swept the world," he said.

Beijing is battling to shift towards a growth model propelled more by domestic demand than the traditional key drivers of infrastructure investment, manufacturing and exports.

That desired transformation has become more urgent since Donald Trump came to office.

The US president has imposed tolls on China and most other major trading partners, upending trade norms and endangering Beijing's exports at a time it needs them more than ever to stimulate economic activity.

The two superpowers have sought to de-escalate their row after reaching a framework for a deal at talks in London last month, but observers warn of lingering uncertainty.

Wang said yesterday that despite "storms and rain", Washington remained an important trading partner. Even though China-US trade has declined proportionally for each country, overall bilateral trade has remained stable, Wang said.

In a sign of progress, US tech giant Nvidia said this week that it would resume sales of its H20 artificial intelligence chips to China after Washington pledged to remove licensing restrictions that had halted exports.

China's commerce ministry acknowledged the US decision in a statement Friday afternoon, even as it called for Washington to "abandon its zero-sum mentality". "China believes that the US should… continue to cancel a series of unreasonable economic and trade restrictive measures," the statement read.

Nvidia CEO Jensen Huang has met with Chinese leaders this week in Beijing, telling journalists on Wednesday that his firm was "doing our best" to serve the country's vast semiconductor market.

Most Asian equity markets end week on a positive note

AFP
Hong Kong

Asian markets headed into the weekend on a broadly positive note yesterday, as investors took up New York's latest record highs sparked by healthy US retail data and upbeat earnings from some of Wall Street's big names.

In Tokyo, the Nikkei 225 closed down 0.2% to 39,891.11 points; Hong Kong – Hang Seng Index ended up 1.1% to 24,759.17 points and Shanghai Composite closed up 0.5% to 3,534.48 points yesterday.

The readings helped divert attention away from Donald Trump's tariffs saga, with dozens of countries yet to cut deals with the US president two weeks before his August 1 deadline.

However, Japanese investors were a little more anxious after news that rice prices once again doubled in June, compounding problems for Prime Minister Shigeru Ishiba ahead of weekend elections in which the grain has been a hot topic.

The Nasdaq and S&P scaled fresh peaks on Thursday after figures showed US retail sales rose more than expected last month and reversed May's decline, indicating the world's top economy remains in good health. Another modest jobless claims report provided extra assurance.

That came on top of forecast-topping earnings from streaming behemoth Netflix, which further fanned buying in tech firms that followed Trump's decision to allow chip giant Nvidia to export its H20 semiconductors to China.

Hong Kong stocks were among the biggest winners thanks to tech leaders, while there were also gains in Shanghai, Sydney, Singapore, Taipei, Manila, Bangkok and Jakarta. Seoul, Mumbai and Wellington dropped. London, Paris and Frankfurt extended Thursday's gains at the open.

Tokyo was also in the red as nervous investors eyed Sunday's vote, with opinion polls suggesting Ishiba's ruling coalition could lose its majority in the upper house, having lost control of the lower house last year.

A poor show for the premier – who has been battered by a cost of living crisis – could put pressure on him to step down and likely usher in a period of uncertainty in the world's number four economy.

"Cost-of-living concerns have dominated the campaign for this weekend's upper house election," wrote Stefan Angrick, head of Japan and frontier markets economics at Moody's Analytics.

"Ishiba's government has boxed itself in, promising only some belated and half-hearted financial support that will do little to improve the demand outlook." Adding to the premier's problems was news that rice prices had soared 99.2% in June year-on-year, having rocketed 101% in May and 98.4% in April.

Public support for his administration has tumbled to its lowest level since he took office in October, with people also angry at his failure to reach a deal to avoid the worst of Trump's tariffs.

"While Ishiba's base applauds his refusal to bow to Trump's every tweet, the unwillingness to give even an inch on low-hanging fruit like a partial tariff rollback or mild defence spending boost suggests a man more committed to defiance than diplomacy," said SPI Asset Management's Stephen Innes.

"It's tempting to say the trade friction was out of Ishiba's control… But markets, like politics, don't reward stubborn idealism. They reward adaptability. And on that score, Ishiba has failed to hedge his leadership risks."

China VC funds tap global investors for $2bn in comeback

Bloomberg
Beijing

China's largest venture capital houses are tapping the market for at least $2bn in new funds, re-engaging with the country's startups in a signal of renewed global investor interest in areas from AI to toys.

At least six of the country's most prominent VC firms are creating new dollar-denominated funds, designed to allow overseas investors to pool bets on Chinese companies. LightSpeed China Partners, known for backing Meituan and PDD Holdings Inc in their early days, is targeting at least $400mn for a fund focusing on deep tech, according to people familiar with the matter.

Monolith Management, which backs DeepSeek-rival MoonShot AI, is looking to start a second fund of at least $265mn, according to people familiar, who asked not to be named because the matter is private. Pop Mart International Group-backer BA Capital is raising another $150mn, the people said. Ince Capital, co-founded by former Qiming managing partner JP Gan, is seeking $200mn, the people said. They join Qiming Venture Capital, which began raising an $800mn fund earlier this year, Bloomberg News has reported.

Together, they represent a wave of fundraising that hasn't been seen among Chinese VCs for years. It's unfolding as global investors reassess the country's startup landscape and broader economy, which are showing signs of revival after years of Covid-era stagnation and regulatory headwinds.

Much of that resurgent interest can be traced to the rise of breakout AI stars like DeepSeek and Manus, which has galvanised local entrepreneurs. At the same time, brands such as Laopu Gold Co and Pop Mart – maker of the wildly popular Labubu collectibles – are winning both consumers and financiers.

The pace of fundraising remains a far cry from the industry's peak, before China's 2020 internet sector crackdown. Investors remain wary about the long-term outlook of the country, while US endowments have retreated due to troubles at home and concerns about geopolitical tensions with China, the people said.

Washington remains extremely sensitive in particular to sectors like semiconductors and AI.

The fundraising plans are preliminary and subject to change, the people said. Representatives for LightSpeed China, Monolith, BA Capital and Ince didn't provide comment on their fundraising.

In public markets, Hong Kong has emerged as one of the world's busiest listing destinations this year, hosting $33bn worth of share sales from bubble tea chains and toy brands to electric vehicle suppliers. Candidates waiting in the wings include some of China's large-language model makers and fashion giant Shein.

That IPO surge is mirrored to some extent in private markets. Global sovereign wealth investors managing $27tn in assets are increasingly bullish on China's tech sector because they don't want to miss out on the next waves of innovation, according to an annual survey by Invesco Asset Management. And more US investors including Benchmark and Capital Group have made exploratory trips to China in 2025.

LightSpeed China, founded by James Mi, a former deals chief for Google's Asia operation, is one of several high-profile venture firms that helped seed China's modern tech industry. Monolith, co-founded by Tim Wang and HSG (Sequoia China) alum Cao Xi, has attracted enough interest to likely meet or surpass their target, the people said. The firm is deliberating a final target size. It closed a debut US-dollar fund at $264mn in 2023, according to trade publication AVCJ. Cao is known for his early bets on Kuaishou Technology, Douyu International Holdings Ltd and Tencent Music.

Other Chinese venture outfits considering raising funds this year include Xiaomi Corp co-founder Lei Jun's Shunwei Capital, the people said. It's not immediately clear how much they may target. Source Code Capital, among the earliest backers of TikTok owner ByteDance Ltd, has also been seeking about $150mn, people familiar said in February.

Representatives for Shunwei didn't provide comment on their fundraising.

BoE scrutinises lenders for dollar risk amid Trump worries

Reuters
London

The Bank of England (BoE) has asked some lenders to test their resilience to potential US dollar shocks, three sources said, the latest sign of how the Trump administration's policies are eroding trust in the US as a bedrock of financial stability.

As the leading currency for global trade and capital flows, the US dollar is the lifeblood of global finance. However, President Donald Trump's break from long-standing US policy in areas such as free trade and defence has forced policymakers to consider whether the emergency provision of dollars in times of financial stress can still be relied on.

While the US Federal Reserve has said that the central bank wants to continue to make dollars available in the financial system, Trump's policy shifts have prompted European allies to re-examine their dependence on Washington. Following similar demands from European supervisors, the Bank of England, which oversees banks in the City of London financial hub, has requested that some lenders assess their dollar funding plans and the degree to which they depend on the US currency, including for short term needs, one of the people with direct knowledge told Reuters.

In one instance, a global bank based in Britain was asked in recent weeks to run stress tests internally, including scenarios where the US-dollar swap market could dry up entirely, another of the sources said. "This reflects a new paradigm where trust in international cooperation appears to be breaking," said John Cronin, analyst at SeaPoint Insights.

The BoE's supervisory arm, the Prudential Regulation Authority, made the requests individually to some of the banks, the person with knowledge of the matter added.

All of the people familiar with the supervisor's requests asked to remain anonymous because the discussions with the BoE are private.

A spokesperson for the BoE declined to comment for this article. Representatives for the biggest UK banks with international businesses including Barclays, HSBC and Standard Chartered also declined to comment. No bank could withstand a major shock to dollar supply for more than a few days, according to one of the sources, given the dominance of the currency in the global financial system and lenders' dependence on it.

Should dollar borrowing become harder to obtain and more expensive for banks, it could hamper their ability to carry on meeting demands for cash. Ultimately, a bank that struggles to gain access to dollars could fail to meet depositor requests, undermining confidence and triggering further outflows.

While this scenario is seen as extreme and unlikely, regulators and banks are no longer taking dollar access for granted.

Global banks have significant dollar exposure in their balance sheets, making them vulnerable to potential funding shocks. Trump's repeated criticism of Fed chair Jerome Powell and reports the central bank chief may get fired are raising concerns of a loss of independence at the Fed and the repercussions on the dollar.

The multi-trillion-dollar swap market is a critical part of the international financial system used by firms including banks to exchange other currencies for dollars to manage liquidity needs across their global networks. According to a study by the Bank for International Settlements, at the end of 2024 the notional value of currency derivatives globally was $130tn, 90% of which involved the US dollar. A typical day sees almost $4tn in new FX swap contracts, according to BIS.

Global banks can tap US dollar deposits to withstand temporary shortfalls, one of the sources said. But regulators worry that international banks remain exposed to dollar risk, one of the people said.

The 2008 financial crisis highlighted to British authorities the extent to which banks needed to roll over hundreds of billions of dollars of short term financial obligations every week, said Robert McCauley, former senior adviser at the Bank of International Settlements and before that an official at the Federal Reserve Bank of New York.

"UK and Continental banks have since shrunk their dollar footprints, but their vulnerability to a breakdown in dollar funding markets remains," he said.

One of the sources told Reuters that bank leaders are particularly concerned about whether the Fed would support a mid-sized non-US bank if it were to run into dollar shortage issues, where, in the past, such backing was assumed as guaranteed.

The Fed has lending facilities with the European Central Bank, BoE and other major counterparts to alleviate shortages of the global reserve currency and to keep financial stress from spilling over into the US. But European central banking and supervisory officials for months have been questioning whether they can still rely on the Fed, as Reuters has previously reported.

ECB supervisors have since asked some of the region's lenders to assess their need for US dollars in times of stress, while earlier in June, the Swiss National Bank warned about liquidity shortfalls in foreign currencies.

The BoE has in the past asked banks how they would ensure a supply of dollars during times of stress, such as in a 2019 system-wide check on banks' liquidity during a crisis.

Reuters couldn't establish whether dollar shocks would be part of the stress test for the industry which the BoE runs every other year and whose results are expected later in 2025.

G20 nations agree central bank independence 'crucial'

AFP
Durban, South Africa

The G20 finance ministers stressed yesterday that central banks must remain independent, after months of escalating attacks by US President Donald Trump on Federal Reserve boss Jerome Powell.

It was the first communique under South Africa's G20 presidency and marked a rare consensus reached by a bloc jolted by the drastic trade policies of its richest member, the US.

"Central banks are strongly committed to ensuring price stability, consistent with their respective mandates, and will continue to adjust their policies in a data-dependent manner," the group said after a finance ministers' meeting in South Africa.

"Central bank independence is crucial to achieving this goal," it said in the statement, also signed by the US.

Trump has repeatedly lashed out at Powell for not lowering interest rates more quickly.

US Treasury Secretary Scott Bessent did not attend the two-day meeting in the port city of Durban, with Washington instead represented by acting undersecretary for international affairs Michael Kaplan.

Bessent also skipped a similar meeting in February and US Secretary of State Marco Rubio snubbed a meeting for G20 foreign ministers.

Trump charges that the central bank could help save the country debt-servicing costs by cutting rates from the current range, which is between 4.25% and 4.50%.

The US central bank has meanwhile adopted a wait-and-see attitude to cutting rates, holding them steady as it continues its plan to bring inflation to the bank's long-term target of 2%.

Trump ramped his criticism of Powell, whose term ends in May 2026, calling him "one of my worst appointments".

The attack followed suggestions the 72-year-old banker could be dismissed for "fraud" over his handling of a renovation project at the Federal Reserve headquarters.

Since returning to power in January, Trump has upended global trade rules, announcing a host of drastic stop-start tariffs that has unnerved investors and governments around the world, including the G20 — a grouping of 19 nations and the European Union and African Union.

The US tariffs are due to jump from 10% to various higher levels for a list of dozens of economies, including the EU, come August 1. A separate 50% duty on copper imports will also come into force.

The G20 said there was a need to strengthen co-operation and acknowledged the World Trade Organisation needed reform "to be more relevant and responsive in light of today's realities".

"A renewed pledge was made to strengthen multilateral co-operation to address existing and emerging risks to the global economy," the group said in a statement.

Washington is due to succeed Pretoria as G20 chair at a summit in November in Johannesburg, although Trump's attendance remains uncertain.

"The fact that we were able to reach a joint communique among other things outlining the global economic challenges or uncertainty coming from trade tensions shows that also US is willing to have constructive engagement," said EU Commissioner for Economy Valdis Dombrovskis.

The discussions, at a luxury resort on the east coast, had focused on how to "preserve rules-based multilateral trading system", Dombrovskis added.

Reaching consensus was no small feat, acknowledged South Africa's Finance Minister Enoch Godongwana.

Fed should cut rates now with labour market on edge, says official

Bloomberg
New York

Christopher Waller, governor of the US Federal Reserve.

Federal Reserve Governor Christopher Waller said policymakers should cut interest rates this month to support a labour market that is showing signs of weakness.

"With inflation near target and the upside risks to inflation limited, we should not wait until the labour market deteriorates before we cut the policy rate," he said on Thursday in the text of a speech prepared for an event hosted by the Money Marketeers in New York. "I believe it makes sense to cut the FOMC's policy rate by 25 basis points two weeks from now."

Fed officials will gather July 29-30 in Washington.

Waller's remarks set him apart from most of his fellow policymakers, who have characterised the employment landscape as still solid. "Looking across the soft and hard data, I get a picture of a labour market on the edge," he said.

A monthly employment for June, published on July 3, showed a sharp slowdown in private-sector job growth and a deceleration in wage growth, even as the unemployment rate ticked lower.

The task of analysing the labour market has been complicated in recent months by Trump's rapid crackdown on immigration, which has coincided with an outsize decline in the foreign-born labour force.

Waller is one of two Fed officials, alongside Vice-Chair for Supervision Michelle Bowman, who had already signalled their openness to cutting rates as early as this month.

He had previously differentiated himself from other officials by saying he believed the impact of tariffs on inflation would be temporary, and he repeated that view on Thursday.

"Policy should look through tariff effects and focus on underlying inflation, which seems to be close to the FOMC's 2% goal," he said, referring to the Fed's rate-setting panel, the Federal Open Market Committee.

Underlying inflation in the US rose by less than expected in June for a fifth straight month, though the latest data also showed an aggressive set of tariffs announced by President Donald Trump in April were beginning to lift prices for some goods.

Waller said inflation expectations remain anchored and wage growth isn't accelerating, easing concerns of a persistent inflation effect.

He said the risk of a weaker jobs market is "greater and sufficient" to cut interest rates.

"The economy is still growing, but its momentum has slowed significantly, and the risks to the FOMC's employment mandate have increased," he added.

He said he expects the economy to "remain soft" for the rest of 2025 after growing at about a 1% pace in the first half of the year.

Several other policymakers, including Governor Adriana Kugler and New York Fed President John Williams, have expressed more concern about the potential impact of tariffs on inflation and have said they'd prefer to wait longer before lowering rates.

Investors expect the central bank to hold interest rates steady when they gather later this month, and see slightly better than even odds of a rate cut in September, according to futures contracts.

In a question-and-answer session after his speech, Waller said the timing of additional rate cuts — beyond the one he is pushing for — would depend on incoming economic data.

"We don't have to cut and then just go on a tear for meeting after meeting," he said. "The whole idea for me is get started, get ahead of things before it starts. If you wait until the labour market deteriorates, you're too late. It's over."

Carmakers face uncertainty as tariffs and earnings collide

Bloomberg
New York

Investors in auto firms, which sit squarely in the bullseye of US President Donald Trump's trade war, are about to find out if earnings back up the sector's scorching rebound from this year's lows.

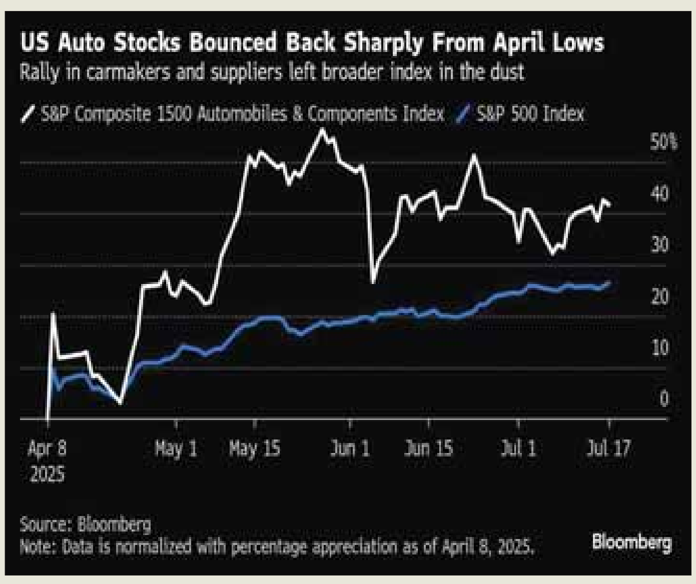
A gauge of stocks of US carmakers and suppliers has soared more than 40% from its tariff-fuelled April depths, handily beating the S&P 500 Index's 26% gain. Meanwhile, the MSCI World Auto and Components Index has climbed 30% in that period, outpacing the MSCI World Index's 25% advance.

Investors dove into the beaten-down shares during the furious rally unleashed when Trump paused most of his aggressive levies in April. But the recovery, which has since stalled out, creates a conundrum: While the shares are now much more costly, the tariff outlook hasn't grown much clearer as the sector gets ready to announce quarterly profits starting next week. Add to that headwinds around the affordability of new vehicles, rising global competition from Chinese brands like BYD Co, and China's efforts to regulate the sector, and some analysts are wary of making broad bets on the industry at the moment.

"Auto stocks have bounced back, but the setup into earnings is murky," said Keith Lerner, co-chief investment officer at Truist Advisory Services. "This is a market for selectivity, not broad exposure."

General Motors Co, Tesla Inc and Volkswagen AG release earnings next week, with Ford Motor Co, Stellantis NV, Mercedes-Benz Group AG and BMW AG coming the week after. Japan's Toyota Motor Corp, the world's No 1 carmaker, and China's Geely Automobile Holdings Ltd are due to report next month.

Most companies are poised to announce numbers for the three months through June — after a stretch in which Trump unveiled a slew of tariffs on auto imports, goods from Mexico and Canada, steel and aluminium and nearly all US trading partners. Many of the measures have been paused, but this month brought a fresh blow as Trump announced tariffs on copper and unleashed ultimatums on counterparts including Japan, Brazil, the European Union and Mexico.



The impact of the potential tariff regime on automakers, which have a sprawling global supply chain and are uniquely exposed to the risk, is a key theme investors and analysts will be watching.

"It is a fluid situation still and investors were not really prepared for the latest round of tariffs that were announced earlier this month," said Garrett Nelson, an analyst at CFRA Research. He has a hold-equivalent rating on the US auto sector, citing valuations and tariff-related uncertainty among other reasons.

Wall Street is already lowering expectations for some of the biggest carmakers. Analysts' second-quarter average profit estimate for GM has dropped 18% over the past six months and Ford's has sunk 30%, according to Bloomberg Intelligence.

For EV giant Tesla it's declined 47% over the same period, with a potential hurdle looming as a federal tax credit for consumer purchases of electric vehicles ends in September.

The overarching question is how companies are handling tariff-triggered cost increases.

A Bank of Japan report this month showed the country's automakers slashed prices of exports to the US — a sign they were sacrificing profits to stay competitive.

Industry analysts expect Toyota to fare better than its domestic peers given its sizeable profits, and see Honda Motor Co benefiting from extensive local manufacturing.

The picture is gloomier in Europe. Volkswagen's sales dropped 16% in the US in the second quarter, a sharp reversal from the 4.4% growth in the first three months of the year before the new levies took effect.

This week, Sweden's Volvo Car AB said it was taking an impairment charge of about $1.2bn due to delays to some electric models and climbing tariff costs. Its CEO on Thursday urged the EU to cut tariffs on the US to help a trade deal.

In contrast to the US sector's performance, the Stoxx 600 Automobiles and Parts gauge of European producers has trailed the rebound in the region's broader Stoxx 600 from an April low.

"The European mass-market players will be fighting for their piece of a pie in a pie that is pretty much stable, or unchanging, over the medium- to longer-term, with more competitors," said Rella Suskin, an analyst at Morningstar Inc. "So someone's got to lose share somewhere."