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US consumer inflation eases more than expected in January

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POLICY SHIFT: Page 2

China economists urge looser capital controls as dollar dips

Qatar banks to see reduced risk of potential funding outflows if US-Iran issues escalate: S&P

By Santhosh V Perumal
Business Reporter

Banks in Qatar depend more on funding from head offices, affiliates, and capital market instruments, thereby reducing the risk of potential funding outflows if the US-Iran issues escalate, according to Standard and Poor's Global Ratings

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Highlighting that Qatari banks are likely to face a funding shortfall in a severe stress scenario; the rating agency said, however, this potential shortfall has reduced to $4.4bn in 2025 from $7.4bn a year before and would probably be covered by the government, given its strong track record of support during times of stress.

The shortfall at year-end 2025 is equivalent to about 10% of the support provided by the government and its related entities during the 2017 boycott-related outflows, according to S&P.

Finding that Qatari banks are still exposed to potential shortfalls in the case of sudden outflows; S&P nevertheless said this risk is declining, as the structure of banks' external debt has shifted.

"They now rely more on funding from head offices, affiliates, and capital market instruments, and less on nonresident deposits and interbank deposits, which were more prominent in previous years," it said.

Based on the most recent disclosures of regional central banks and its updated assumptions, S&P reassessed how banks would perform under a severe stress scenario where they face external funding outflows in case of a potential escalation between Iran and the US.

"Under a severe stress scenario, most banking systems in the Gulf Co-operation Council (GCC) region could absorb potential funding outflows using their own liquid assets," it said.

The GCC banks' exposure to external debt outflows amid rising geopolitical risk and regional tensions has remained "high" since its first stress test in 2023.

Based on the latest data published by the GCC central banks and revised system-specific assumptions, its updated analysis shows that, under a regional war scenario, Bahraini banks could face an absolute funding shortfall of $1.9bn (equivalent to 8% of external assets after assumed haircuts) as of year-end 2025, compared with a surplus of $3.3bn as of year-end 2024.

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Although recent episodes have mostly led to flights to quality within the local banking systems, "we continue to view external debt outflows as a plausible risk under a severe stress scenario -- particularly in the event of a prolonged conflict involving non-regional and regional actors and sustained, broad-based attacks," it said.

"This reflects Bahraini banks' rising external debt and an increase in assumed haircuts on investment portfolios that results from high exposure to sovereign creditworthiness," according to the credit rating agency. At the other end of the spectrum, banks in the UAE and Kuwait maintain strong net external asset positions and solid capacity to absorb outflows, it said.

Finding that Saudi Arabia's banks' surplus has marginally reduced; it said this is because of the significant increase in external debt over the past two years and the still significant investments abroad.

Banks' net external debt increased five-fold to $54.6bn at year-end 2025 against $9.1bn at year-end 2024, it said, expecting Saudi banks' lending growth to remain strong at about 10% in 2026, implying banks will continue to raise external debt.

"We continue to factor into our ratings banks' intrinsic credit strengths and our expectation of significant government support for most GCC banks, which we do not expect to change over the near term," according to the report.

Govt tenders and auctions reach QR10.8bn in Q4: Ministry of Finance

The government tenders and auctions reached a total value of QR10.8bn during the fourth quarter of 2025 with more than 73% of it going for the local companies, according to the Ministry of Finance.
Data published the ministry on X showed that the total value of government tenders and auctions witnessed 69% increase on an annualised basis.
The top four sectors were health, municipality and environment, culture and sports, and education.
As much as QR7.9bn worth of tenders (73.15% of total) was awarded to the local firms during the review period, growing 65% year-on-year.
Foreign companies were awarded QR2.9bn worth projects (26.85% of total), which represented 93% increase on a yearly basis.
The total number of projects represents a portion of the 1,018 tenders, practices, and direct agreements awarded, a 13% increase year-on-year.

Opec+ leans towards resumption in oil output increases from April

Reuters
Moscow/London

Opec+ is leaning towards a resumption in oil output increases from April, three Opec+ sources said, as the group prepares for peak summer demand and price strength is bolstered by tensions over US-Iran relations.

The resumption would allow Opec leader Saudi Arabia and fellow members, such as the UAE, to regain market share at a time other Opec+ members, such as Russia and Iran, contend with Western sanctions and Kazakh output is restrained by a series of setbacks.

Eight Opec+ producers - Saudi Arabia, Russia, the United Arab Emirates, Kazakhstan, Kuwait, Iraq, Algeria and Oman - meet on March 1.

The eight members raised production quotas by about 2.9mn barrels per day from April to the end of December 2025, equating to about 3% of global demand, and froze further planned increases for January through March 2026 because of seasonally weaker consumption.

The Brent crude benchmark is trading near $68 a barrel despite speculation that a supply glut would suppress prices this year. That's not far from a six-month high of $71.89 hit in January on tensions between the United States and Iran.

All three Opec+ sources, who declined to be identified by name, said the eight members at the March 1 meeting were leaning towards a resumption in production quota increases from April. Three other sources familiar with Opec+ thinking said they expected increases to resume in April.

No decision has yet been made and talks will continue in the weeks ahead of the March 1 meeting, two of the Opec+ sources said.

Opec and authorities in Russia and Saudi Arabia did not reply immediately to requests for comment.

Opec's latest oil market forecasts show demand for Opec+ crude in the second quarter falling by 400,000 bpd from the first three months of the year, but demand for the whole year is projected to be 600,000 bpd higher than in 2025.

QSE gains 160 points on buying support; M-cap adds QR6.75bn

By Santhosh V Perumal
Business Reporter

WEEKLY REVIEW

The bullish momentum in the Qatar Stock Exchange (QSE) continued for the second week in straight with its key index gaining more than 160 points and capitalisation adding about QR7bn.
Notwithstanding the persistent apprehensions and geopolitical tensions over the US-Iran stand, the 20-stock Qatar Index rose 1.41% this week which saw the market heavyweight Industries Qatar (IQ) report net profit of QR4.3bn in 2025.
An across the board buying lifted the sentiments in the main market this week which saw the International Monetary Fund forecast a 4% medium term growth for Qatar.
The consumer goods, transport and real estate counters witnessed higher than average demand in the main bourse this week which saw the Qatar Investment Authority and Franklin Templeton launch Franklin Templeton Qatar Equity Fund with an initial size of $200mn to enable investors to access the returns available from equities listed on the QSE.
About 82% of the traded constituents extended gains to investors in the main market this week which saw Cushman and Wakefield Qatar forecast Doha's retail sector performance to remain strong into 2026, driven by higher tourist arrivals and sustained demand for prime retail destinations.
The consumer goods, industrials and banking sectors accounted for more than 74% of the trading volumes in the main market this week which saw Nebras Energy report net profit of QR1.36bn in 2025.
The Islamic index was seen outperforming the other indices of the main market this week, which saw a total of 2,319 AlRayan Bank-sponsored exchange traded fund QATR worth QR5,468mn trade across 11 deals.

Notwithstanding the persistent apprehensions and geopolitical tensions over the US-Iran stand, the 20-stock Qatar Index rose 1.41% this week

Market capitalisation added QR6.75bn or 0.99% to QR686.55n on the back of large and midcap segments this week which saw a total of 2,261 Doha Bank-sponsored exchange traded fund QETF worth QR0.03mn trade across four transactions.
Trade turnover and volumes were on the rise in the main and venture markets this week which saw no trading of sovereign bonds and treasury bills. The Total Return Index rose 1.5%, the All Share Index by 1.33% and the All Islamic Index by 1.77% this week which saw Nakilat outline the construction of gas carriers at various shipyards in South Korea and China, bringing the total number of vessels to be built to 40 ships of varying sizes, with the first vessel scheduled for delivery by the end of 2026.
The consumer goods and services sector index shot up 3.04%, transport (2.71%), realty (1.91%), telecom (1.36%), banks and financial services (1.27%), insurance (0.58%) and industrials (0.34%) this week which saw the successful listing of Qatar's first Green sukuk, issued by AlRayan Bank.
Of the 54 stocks, as many as 44 gained, while only nine declined and one was unchanged this week which saw the QSE strengthen efforts to support the listing of innovative financial instruments as part of strategies towards cementing Qatar's position as an advanced regional hub for capital markets, Islamic finance, and sustainable investment.
Major movers in the main market include Widam Food, Qatar Cinema and Film Distribution, Salam International Investment, Mannai Corporation, United Development Company, Qatar Islamic Bank, Commercial Bank, Doha Bank, QIIB, Dukhan Bank, Qatar German Medical Devices, Woqod, Mesaieed Petrochemical Holding, Gulf International Services, Qamco, Mazaya Qatar, Vodafone Qatar, Ooredoo, Milaha and Gulf Warehousing this week which saw Moody's say Qatar's banking sector remains "stable" due to expectations of higher economic growth in 2026 as well as strong capital and liquidity buffers.
Nevertheless, Mosanada Facilities Management Services, QLM, Qatar General Insurance and Reinsurance, IQ and Doha Insurance were among the losers in the main bourse this week which saw Fitch find Islamic banks in Qatar to maintain sound financial metrics this year, supported by stable operating conditions, continued solid financing growth, resilient profitability and robust asset quality despite risks.
The main bourse saw 21% jump in trade volumes to 704.5mn shares, 22% in value to QR2.29bn and 10% in deals to 134,260 this week.
In the venture market, trade volumes grew almost 16-fold 1.59mn equities and value also by almost 16-fold to QR3.32mn on about 18-fold increase in transactions to 442 this week.

Fed seen to hold interest rates through May

Reuters
Washington

The Federal Reserve will hold its key benchmark rate steady for the rest of Fed chair Jerome Powell's tenure through May but cut immediately afterward in June, according to a Reuters poll of economists, who also said policy under his likely successor, Kevin Warsh, risked being too loose.

Over 70% of economists, who are mostly from banks and financial institutions, also said they were concerned about a serious erosion of Fed independence after Powell's term ends. But they were split on whether that had changed since US President Donald Trump, who has repeatedly criticised Powell for not cutting rates rapidly, nominated Warsh last month.

The poll results come amid widespread confusion about Warsh's views on policy. Earlier writings and speeches suggested a preference for more restrictive policy, while recent statements, including optimism about AI-driven productivity being disinflationary, imply a bias toward cutting borrowing costs.

Also, many economists said they needed to wait to hear more from Warsh during his expected nomination hearings before taking further judgment on Fed independence. About three-quarters of forecasters, 75 of 101, in the February 5-10 Reuters survey predicted the Fed would keep the fed funds rate on hold for a second straight meeting next month, as hinted in January. That was a bigger majority than 58% last month.

By the end of next quarter, the rate will fall to a 3.25-3.50% range, according to nearly 60% of economists, with the reduction most likely at the June meeting. In last month's poll, there was no consensus on where the federal funds rate would be then.

"The Fed will cut twice this year under Warsh (but) it's not necessarily due to a clear economic argument," said Stephen Juneau, US economist at Bank of America. "If the Fed continues to cut, those will come at a time when we should have more expansionary fiscal policy than we did last year. It could be a recipe for overdoing it," he said.

US economic growth was forecast to have slowed to 2.9% on a seasonally adjusted annualized basis in the last quarter of 2025, slower than 4.4% in Q3. Growth was forecast between 2% and 2.4% through this year, above the Fed's estimated non-inflationary rate of 1.8%. The full-year average for 2026 was revised up to 2.5% from 2.2% last year, poll medians showed, the third consecutive upgrade in Reuters monthly polls. Inflation was expected to average well above the Fed's 2% target through this year.

A majority of forecasters expect at least two rate cuts this year, broadly unchanged from January, with still no clear consensus on exactly where rates will be by end-year.

Almost all economists who answered an additional question, 49 of 53, said Warsh was more likely to set policy too loose rather than too tight. "It's very clear Warsh will push for additional easing this year. Now the question is whether he'll push for a couple more rate cuts, depending on how the economy evolves, or whether he'll push for a lot more," said Oscar Munoz, chief US macro strategist at TD Securities.

"He's been historically hawkish during Democratic administrations and not so much during Republican ones. In theory, it shouldn't really matter who is the president of the U.S. for you to formulate policy ... But there is some concern his view is not really reflecting the current state of the economy."

Some of the economic forecasts from the poll, which include the unemployment rate staying steady around 4.5% this year, argued against the need for several more rate reductions.

"Trump has an expectation Warsh will come through with what he would like to see," said James Knightley, chief international economist at ING.

"But, we've got to remember he is just one vote amongst 12 and he would still need to convince a lot of very sceptical or reluctant other Fed officials to do what the president is expecting of the incoming new Fed chair."

Nvidia shares go cold even as Big Tech spending on AI surges

Bloomberg
New York

Big Tech keeps raising its spending plans for artificial intelligence infrastructure, yet shares of Nvidia Corp, one of the biggest beneficiaries of that flood of cash, have been largely stagnant for months.

The stock is up less than 1% since the beginning of the fourth quarter and has been largely range bound despite hitting a record high in late October. It's also barely beating the S&P 500 Index to start 2026, a slowdown from Nvidia's nearly 40% leap in 2025 following two consecutive years of triple-digit percentage gains.

Even ballooning capital spending from Meta Platforms Inc, Alphabet Inc, Microsoft Corp and Amazon.com Inc — estimated to exceed $600bn in 2026 — hasn't been enough to meaningfully boost the stock amid increasing anxieties about returns on those investments.

"There is perhaps growing concern that the ultimate revenue from AI will simply not keep up with the capex spend that's been announced," said JoAnne Feeney at Advisors Capital Management, adding that more spending now raises the probability that the market will reach satiation faster. It's "going to move up the date at which they pause and let the new compute be digested."

The cyclical nature of the chip industry is baked into Nvidia's valuation, which has compressed as revenue growth is expected to slow in the coming years. Sales are projected to expand 58% in the current calendar year and 28% in 2027, according to data compiled by Bloomberg.

Nvidia shares trade around 24 times profit estimates, roughly in-line with the Nasdaq 100 index and a slight premium to the S&P 500. Even though this price-to-earnings ratio is far below the five-year average for the stock at 38 times, investors aren't counting it as a discount.

Valuations for infrastructure providers like Nvidia are likely to move lower as growth in capital spending decelerates, according to UBS strategists led by Ulrike Hoffmann-Burchardi.

"Capex growth is likely to moderate from these levels, which could improve investor perceptions of those doing the spending, but is a potential negative for some companies in the enabling layer," they wrote in a note dated February 10.

The next catalyst for Nvidia shares is its upcoming earnings report, due February 25 after markets close. Investors will be focused on Nvidia's guidance and demand for chips, which have accounted for a large chunk of hyperscaler spending in recent years. "It really does just come down to the valuation and how rich the company already is," said Shelby McFaddin, an investment analyst at Motley Fool Asset Management. Investors want to "wait a second and actually see what Nvidia has to say about it before we reward them."

Wall Street analyst estimates for Nvidia's revenue and earnings in 2026 have barely budged since the tech giants revealed their mega-spending plans. Of course, analysts are likely waiting to hear from Nvidia before making changes to their models.

After a big stock run up like Nvidia has had, it's natural for there to be a period of consolidation, but sentiment can change rapidly, said Jim Thorne, chief market strategist at Wellington-Altus.

"It's psychology," Thorne said. "All of a sudden everybody believes the story and the stock goes crazy up."

DayOne Data Centers Ltd has selected banks to help arrange a US initial public offering that may raise about $5bn, according to people familiar with the matter.

China economists urge looser capital controls as dollar dips

Bloomberg
Beijing

Several prominent Chinese economists have called for loosening restrictions on the movement of money in and out of the country, arguing that a weaker dollar provides a historic opportunity to boost the yuan's global appeal by increasing its convertibility.

In what would represent a tectonic policy shift for the world's No 2 economy, Miao Yanliang — chief strategist at China International Capital Corp — said in an article that conditions are becoming ripe to push for such reforms without necessarily provoking massive capital outflows.

Echoing that view, Ju Jiandong, a finance professor at Tsinghua University, identified this year and next as a "strategic window" for opening up the so-called capital account because the yuan's appreciation provides a favorable environment while geopolitical risks rise.

"The more China opens its capital account and allows greater exchange rate flexibility, the more it can actually attract capital inflows," said Miao, formerly the chief economist at China's foreign-exchange regulator. "Especially when the dollar enters a strategic and sustained depreciation cycle and the yuan enters an appreciation cycle, that is precisely the right time to raise the level of capital account openness."

The remarks follow comments by President Xi Jinping — delivered in 2024 but published recently — in which he laid out ambitions to make the yuan "widely used" in global trade and finance as well as attaining reserve currency status.

The quick succession of speeches and publications in recent weeks will add to speculation that Chinese authorities could make a much freer flow of capital the centerpiece of their efforts to promote broader international use of the yuan. Progress toward a convertible currency was disrupted by a shock devaluation in 2015, and momentum behind discussions of reforming the capital account waned in recent years.

But for the first time in a decade, influential voices in academia and finance are publicly broaching the possibility of ceding more control to seize the chance provided by misgivings over the dollar's dominance that are driving diversification needs for central banks and investors alike. The dollar ended 2025 with the sharpest annual retreat in eight years after months of unpredictable policymaking during Donald Trump's second presidency. By contrast, the yuan had its best annual performance since 2020 in nominal terms.

An employee arranges bundles of US dollar and Chinese yuan banknotes in an arranged photograph in Seoul. Several prominent Chinese economists have called for loosening restrictions on the movement of money in and out of the country, arguing that a weaker dollar provides a historic opportunity to boost the yuan's global appeal by increasing its convertibility.

A key part of the new calculus for China also stems from the mismatch between its standing as a global manufacturing powerhouse and the limited reach of its currency abroad. China has for years maintained a "managed float" of the yuan, while existing restrictions on cross-border investments and personal remittances mean the capital account remains largely closed.

For months, officials have been signaling a greater ambition of reforming the yuan and the capital account, which tracks investment flows.

The Communist Party's October proposal for its next economic plan through 2030 included a pledge to "push forward the internationalisation of the yuan and enhance the openness of the capital account." That's a bolder stance compared with the previous five-year plan, which called for promoting the currency's globalization in a "stable and prudent" manner. China has a long way to go to accomplish its goal. Despite gaining a bigger role in trade settlement and financing, the yuan's share in global international reserves is less than 2%, according to the International Monetary Fund, lagging in a distant sixth place and remaining far behind the dollar.

Capital controls remain the biggest obstacle to Xi's vision, even though China has taken steps in recent years to relax the restrictions. Investors and companies still need permission to move money in and out of the country or have to rely on designated channels, preventing domestic markets from being more integrated with the outside world and limiting the currency's appeal.

The threat of large capital outflows that risk destabilizing markets and the economy is the biggest concern for authorities as they explore bolder liberalization.

China last experienced significant capital flight in 2015 after a botched move to shift to a more market-based exchange rate triggered panic among investors and forced the central bank to intervene. China's foreign reserves plunged by around $1tn within the span of about two years, prompting authorities to tighten capital controls.

But the environment both at home and overseas has changed significantly from a decade ago, according to Miao.

He said foreign investors have a growing need to invest in Chinese assets as the appeal of the US suffers from Trump's drastic tariffs and geopolitical maneuvering. Meanwhile, Chinese households and companies have already purchased a sizable amount of assets overseas via approved channels, reducing potential outflow pressures, Miao said.

Li Xunlei, chief economist at Zhongtai Financial International Ltd. who attended an economic seminar hosted by Premier Li Qiang in April, made a similar point in an article published last week.

The Chinese currency's significant undervaluation — based on actual purchasing power — results from a lack of global liquidity, he said. A more open capital account could boost the availability of yuan internationally, a change that will likely help the currency appreciate, according to Li.

To be sure, after treading carefully for decades, Chinese authorities are likely to remain cautious and be in no rush to roll out any big changes.

"It wouldn't be like tomorrow that they suddenly allow a full movement in a certain component of financial accounts," said Gary Ng, senior economist at Natixis SA. "There could be some room on a marginal basis to experiment with certain policy."

China could take modest steps to promote its currency, including pushing for some commodities to be traded in the yuan or using it to settle and finance investments in overseas projects, according to Ng.

Miao said that such regulatory "constraints" as fighting money laundering and terrorist financing mean some restrictions would remain on the cross-border movement of money. "Increasing the level of capital account openness does not mean allowing capital to flow freely," he said.

Xiao Sheng, an official with the State Administration of Foreign Exchange, signaled the focus will likely be on optimizing existing channels of cross-border investment.

In an article published Wednesday, Xiao said the regulator will make it more convenient for foreigners to use programs such as the Qualified Foreign Institutional Investor system. Authorities will "step up the supply of policies to expedite cross-border investment and financing," he said.

Private credit's massive software bet is bigger than it appears

Bloomberg
New York

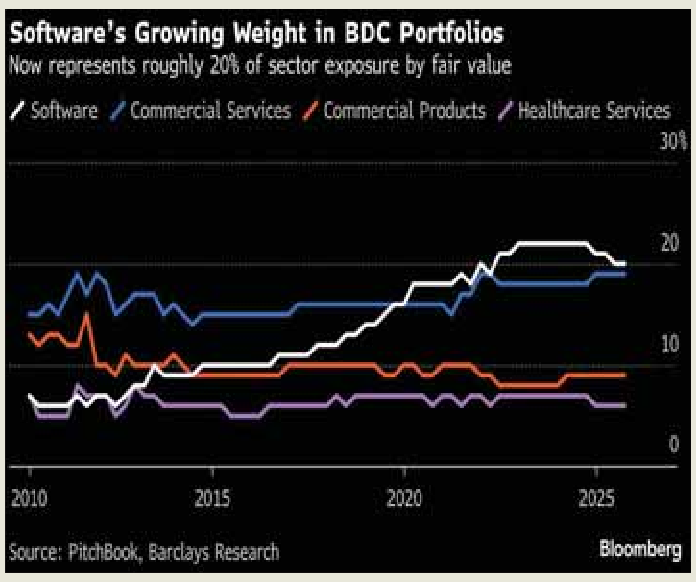
A quick scan of Pricefx's website leaves little doubt how the company sees itself. "The #1 Leading Pricing Software" is splashed across its homepage. As is "Great Pricing Software Makes Dreams Reality." In all, "software" appears more than a dozen times on that first screen alone.

One of Pricefx's biggest financial backers prefers a different label, though. Sixth Street Partners, a top direct lender to the firm, classifies Pricefx not as software but as a "business services" company.

And so it goes in the world of private credit. Time and again, companies widely regarded as software firms are frequently labeled otherwise by lenders, a practice that raises fresh questions over the full extent of their exposure as the threat from artificial intelligence upends markets and rattles investors. Bloomberg News reviewed thousands of holdings across seven major business development companies — funds that pool direct loans — and found wide variation in how investments tied to the sector are categorised.

At least 250 investments, worth more than $9bn, weren't labeled as loans to software firms by one or more of the BDCs, even though the companies borrowing the cash are described that way by other lenders, their private equity sponsors, or the firms themselves. The discrepancies, market watchers say, underscore broader concerns about private credit, a famously opaque industry marked by inconsistent reporting standards, complex fee structures and significant discretion over valuation practices.

While the differences don't necessarily signal an attempt to obscure exposure, they make it harder for investors to gauge sector concentration at a time of heightened scrutiny, according to Robert Dodd, an analyst at Raymond James Financial Inc.



"The software classification in a BDC schedule of investments is only going to include generally industry agnostic software — it understates the exposure to it as a business model, and it's not negligible," Dodd said. "Software is a theme in its own right, and that classification scheme breaks down even if historically it was helpful."

A representative for Sixth Street declined to comment. In filings, the firm says it groups companies by end-market, meaning software isn't shown as a standalone category, even as it acknowledges that "many of our portfolio companies principally provide software products or services, which exposes us to downturns in that sector."

Bloomberg reviewed disclosure documents of BDCs overseen by Sixth Street, Apollo Global Management Inc, Ares Management Corp, Blackstone Inc, Blue Owl Capital Inc, Golub Capital and HPS Investment Partners.

Across all of them, multiple companies considered software by at least one other lender were put in a different industry bucket.

While questions over how companies are categorized aren't unique to private credit, the issue takes on added weight in a market already known for its limited transparency. Because these loans are privately negotiated and thinly traded, there's little independent price discovery or commonly referenced benchmarks to fall back on. The labels managers assign can therefore carry outsized importance, shaping how investors gauge sector exposure, concentration risk and vulnerability to shifts such as the rapid advance of AI.

It "puts more responsibility on the BDC manager to evaluate, value, and categorize these assets correctly," said Michael Anderson, head of global credit strategy at Citigroup Inc. "These aren't loans that trade publicly or sit in widely followed indices that investors can independently review."

Drawn by predictable revenue streams, alternative asset managers piled into software for more than a decade. Industry executives have been forced to address investors' questions about this concentration on recent earnings calls.

Apollo President Jim Zelter said earlier this month that about 30% of private equity firepower went into the industry during the period, and that software also accounted for roughly 40% of all sponsor-backed private credit.

Most Asia bourses track Wall Street fall as traders rethink tech bets

AFP
Hong Kong

Asian stock markets fell yesterday following another tech-led plunge on Wall Street as investors reassess their vast AI investments, while attention was also turning to US inflation data.

In Tokyo, the Nikkei 225 closed down 1.2% to 56,941.97 points; Hong Kong - Hang Seng Index ended down 1.7% to 26,567.12 points and Shanghai - Composite closed down 1.3% to 4,082.07 points yesterday.

A sense of calm has descended on trading floors over the past few days after last week's asset-wide volatility, helped by forecast-busting US jobs figures that eased worries about the world's top economy.

However, growing concern about the hundreds of billions spent on artificial intelligence infrastructure -- and the bundles more announced in the past few days -- have fanned speculation about when, if ever, companies will see a return. The release of new tools this month that can perform crucial tasks in a range of fields, including legal, sales and marketing, has compounded those jitters -- hammering companies worried about competition.

Analysts said that has seen traders reassign their AI investments, with the main beneficiaries being chipmakers and other firms needed to build infrastructure.

"Developments in AI, particularly around the rollout of various AGI (artificial general intelligence) products, are only vaguely understood, which makes the ability to price future risk and certainty… something of a guess," said Pepperstone's Chris Weston.

Artificial general intelligence is the mooted next stage of AI, when computers could outperform humans across a wide variety of tasks.

Chris Beauchamp, chief market analyst at IG, added that "investors are rotating away from labour-intensive, fee-based business models that could face margin pressure from AI automation". "This represents a significant shift from earlier AI enthusiasm, which focused primarily on technology enablers rather than potential losers," he said. "The speed at which these concerns are spreading suggests markets are becoming more sophisticated in their analysis of AI's impact. Rather than a blanket assumption that AI benefits all companies, investors are now making sector-by-sector assessments of winners and losers."

Those concerns have weighed on US tech in recent months, with Apple, Amazon and Facebook parent Meta among those feeling the pinch, while upstream companies -- many based in Asia -- are enjoying healthy gains.

Pedestrians walk past the Exchange Square complex, which houses the Hong Kong Stock Exchange, in Hong Kong. The Hang Seng Index closed down 1.7% to 26,567.12 points yesterday.

Emerging market equities and currencies slip from record highs

Reuters
Singapore

Emerging-market stocks and currencies slipped from record highs on Friday after a tech-driven Wall Street selloff overnight, but remained on track for solid weekly gains, while Russia geared up for an interest-rate decision.

The EM rally hit a speed bump as global risk appetite took a back seat and concerns about tightening margins in the tech sector dragged US equities lower overnight.

The MSCI EM equity index slipped for the first time after gaining in the past four sessions, while a similar gauge for EM currencies fell for the first time in after rising for the last five.

Stock benchmarks in Mumbai, Singapore, Manila, Warsaw, Johannesburg, Bucharest and Budapest all sank more than 1% on the day.

Focus was on Russia, with the central bank's rate decision due later in the day.

Growth there cooled and inflation generally eased through 2025. But January's tax-driven price flare-up, along with war-related distortions, sanctions and heavier defence spending, has kept inflation risks uncomfortably high and made the policy path less straightforward.

The rouble edged about 0.2% higher versus the dollar, with the central bank widely expected to hold rates steady at 16%.

Elsewhere, Ukraine's international dollar bond strengthened after the country signalled its new $8.2bn programme with the International Monetary Fund could be approved within weeks - a key milestone as Russia's invasion grinds into its fifth year.

Romania slipped into technical recession in the fourth quarter, after tax hikes aimed at narrowing a ballooning budget deficit hit domestic demand. Stocks in Bucharest were down 1.2%, while the leu was flat against the euro.

Romania is also wrestling with the European Union's largest fiscal deficit and a sovereign credit rating sitting on the lowest rung of investment grade with a negative outlook, effectively a downgrade warning. Fitch was due to review the country later in the day.

The Polish zloty was flat, while stocks fell 1.5% as fresh data showed inflation eased less than expected in January.

While much of central and eastern Europe and Asia remained under pressure, there were some pockets of strength.

Egyptian stocks jumped 1.6% after the central bank cut its interest rates by 100 basis points, extending an easing cycle as inflation falls.

This week brought a flood of inflation data across major EM economies. Brazil and Hungary showed signs of cooling price pressures, Mexico saw inflation speed up, and Turkey's inflation expectations widened.

The takeaway for markets was the resilience in the economies, and the data did not trigger any new alarm bells, helping keep sentiment supported.

The day's losses did not knock the EM rally off course. EM equities were on track for their strongest week since September 2025, while EM currencies were headed for their best weekly performance since June 2025. "This ongoing resilience may create some challenges from a relative valuation perspective," Barclays' EM strategy analysts said.

"But the fact that market volatility has been focused mainly on the US … it may add to EM credit's appeal and attract further flows into the asset class."

In South Asia, the Bangladesh Nationalist Party secured an overwhelming two-thirds majority in Friday's general election, raising hopes for a period of stability after months of turbulence following the ouster of the former prime minister.

Hong Kong regulator urges IPO auditors to safeguard quality

Bloomberg
Hong Kong

Hong Kong's accounting regulator urged auditors handling initial public offerings to assess whether they have sufficient resources and expertise, warning that a surge in listing activity could put pressure on quality.

In an open letter, the Accounting and Financial Reporting Council said that some auditors of public interest entities serving as reporting accountants for Hong Kong IPO applicants have taken on exceptionally high listing workloads alongside existing mandates. That raised concerns that they may not have sufficient expertise and resources to meet professional standards without compromising quality.

"Public interest entity auditors are strongly urged to immediately undertake a thorough evaluation of their resources and critically assess whether they possess the necessary competencies and capabilities to deliver high-quality audits for both their existing and new IPO engagements," the watchdog said in a statement. It added that it will require auditors to submit updated lists of ongoing IPO mandates, plans for new engagements and details of their resources.

Regulators have been increasing scrutiny over the quality of Hong Kong's IPOs amid the city's booming capital market, with first-time share sales coming off a four-year high in 2025 and already off to the busiest-ever start of a year.

Last month, the Securities and Futures Commission stepped up warnings to investment banks over filing sloppy applications for share sales, saying a growing number of teams at the most active sponsors are unfamiliar with regulatory requirements and lack experience and resources to handle applications.

GE Aerospace targets more repairs via automation in Singapore

Reuters
Singapore

GE Aerospace technician Suresh Sinnaiyan has spent more than a decade repairing jet-engine compressor blades by guiding them across a sanding belt with practised precision.

Now, at the aerospace giant's new automation lab in Singapore, he is teaching a robot to do the same job.

The switch is part of GE's push to prepare the next wave of industrial development and ease one of aviation's biggest bottlenecks: Overloaded repair shops and scarce parts.

Unexpected wear and tear in the latest generation of jet engines across the industry has idled many jets and led airlines to keep older jets flying longer, stretching maintenance lines into months as engines wait their turn in repair queues.

That pressure has turned into a public fight. Airlines have complained that engine makers are benefiting from shortages by raising prices, while manufacturers say they are pouring money into expanding support after shouldering huge development costs.

Tony Fernandes, the co-founder of Malaysian low-cost airline AirAsia, put it candidly: "They have got to remember airlines are their future and treat us as partners," he told Reuters, referring to the industry overall.

GE says Singapore is a key piece of its answer.

The company's 2,000-employee repair hub is being upgraded with more automation, digital tools and AI as part of a plan that GE has said could total up to $300mn in investment.

The company aims to lift repair volume in Singapore by 33% without expanding the site's footprint - by reorganising work, reshaping floor space and automating tasks where it is efficient.

The plant is at the forefront of efforts to roll out "Flight Deck," GE's version of the "Lean" manufacturing recipe of continuous improvement and eliminating waste pioneered by Japanese carmakers and championed by CEO Larry Culp.

"It's not about sprinting at quarter's end to make a Wall Street guide. It is making every hour and every day count," Culp told Reuters in an interview.

GE and rivals such as Pratt & Whitney have been trying to balance feeding new-airplane assembly lines with engines and parts while keeping the existing fleet flying.

Repairing more used parts can ease pressure by safely reducing the need to replace worn components with newly manufactured ones - leaving more available for new engines.

And GE says repairs can halve the time needed for key processes as well as halve the cost to airlines.

"Repair can really improve turnaround time ... the less time the engine is off the wing, the better," Iain Rodger, head of GE Aerospace Component Repair Singapore, told Reuters during a visit to the facility.

One example is a reorganised repair area overhauling used and scorched CFM56 turbine nozzles - parts that endure extreme heat inside one of the world's most widely used engines.

Workers say turnaround time there has improved since 2021, when it was 40 days, and GE is targeting 21 days by 2028.

The area is giving up roughly a third of its floor space to prepare for the next challenge: developing repair capability for newer LEAP engines that are beginning to enter overhaul cycles.

Without approved repairs, airlines may need to replace worn parts with new ones, which are typically more expensive and in limited supply.

"Now we can see problems and identify where issues are," said Nozzles Business Leader Han Hui Min of the new layout.

The most compelling work is also among the hardest to automate: repairs that depend on a technician's touch.

Take those compressor blades from a CFM56 engine.

As air rushes into the core of the engine, spinning blades squeeze it to build pressure. Over years of use, blade tips deform and must be restored in a process called blending - reshaping the metal so it meets tight tolerances.

"It's really hard to do. (Until now) it is 100% manual," said Sinnaiyan. Each blade has to be filed to within a few thousandths of an inch, relying on eye, feel and co-ordination.

GE's bet is that if it can capture that skill in a repeatable robotic process, it can reduce dependence on scarce specialised labour and increase throughput at lower cost.

Analysts note that engine makers earn some of their biggest profits from servicing used parts and from licensing certain repairs to other shops in return for lucrative royalties.

That means the process for each repair is considered the secret sauce for an increasingly crucial part of the business.

Even so, scaling repairs has limits. Work must follow approved procedures and strict quality controls.

And a slowdown in new plane production which boosted the demand for old jets - and in turn demand for repairs - is coming towards an end, Agency Partners analyst Nick Cunningham said.

If GE's changes in Singapore deliver, they could help the industry work through its bottlenecks and ease fares.

But airline executives and others have cautioned that the underlying supply squeeze is unlikely to vanish quickly.

"It is about moving away from fire fighting and heroics to a different type of preferred performance," Culp said.

Senate Banking Committee agrees to proceed with hearings for Warsh, says Bessent

Reuters
Washington

The Senate Banking Committee will proceed with confirmation hearings for Kevin Warsh, President Donald Trump's pick to head the Federal Reserve, despite a key senator's hold on the nomination, Treasury Secretary Scott Bessent said on Friday.

"I think it is important that we get to the hearings. Chair (Jerome) Powell's term ends mid May, and anyone who cares about the integrity, the independence of the Fed is going to want to see continuity with Kevin Warsh," Bessent told CNBC's "Squawk Box" program. Republican lawmaker Thom Tillis has said he supports Warsh's candidacy, but will hold up a vote on any Fed nominee while the Justice Department continues to investigate Powell over a large Fed renovation project that is over budget.

Trump last month said he would nominate Warsh to head the US central bank, but the White House has not yet sent the formal nomination to the Senate.

Asked about the delay, White House spokesman Kush Desai lauded Warsh's academic credentials, private sector success, and prior experience on the Federal Reserve's Board of Governors, adding, "The White House looks forward to working with the Senate to quickly confirm him and get the Federal Reserve back on track."

Bessent said he had proposed during a meeting with Senate Republicans on Tuesday that the Senate Banking Committee carry out its own investigation of the Fed's renovation of its Washington headquarters, but declined to comment on whether that probe could replace the Justice Department investigation and prompt Tillis to release his hold. "We'll see where the investigation goes," Bessent said, referring to the probe headed by US Attorney Jeanine Pirro. "There were subpoenas issued, but that doesn't have to mean that there are charges.

They reached out to the Fed in December via email, didn't get responses and then issued subpoenas. So we'll see what the state of that is." Senate Banking Committee Chairman Tim Scott has said he does not believe Powell committed a crime. Scott's office had no immediate comment on when a hearing could be scheduled.

Bessent noted that Scott had said he believed Powell was "guilty of one thing, incompetence and this building project is out of control, way over budget." Powell last month disclosed the criminal probe into his statements to the Senate about the Fed's renovations, describing it as part of the Trump administration's "threats and ongoing pressure" on the Fed to cut rates.

Tillis on Thursday told reporters that his hold on Fed nominees remains in place "until the investigation is brought to a conclusion."

"That happens one of two ways: they cease the investigation, say there's no there there, or they give me compelling information that says I was wrong," Tillis said. Bessent said he expected inflation to continue to decline, and said he expected it to be "near the Fed's 2% target" by mid-2026 after sharp increases under former President Joe Biden.

Abu Dhabi boosts investing heft with $237bn financial firm

Bloomberg
Abu Dhabi

International Holding Co (IHC) is creating a new financial-services holding company that will oversee about 870bn dirhams ($237bn) in assets, the latest consolidation move by Abu Dhabi's biggest listed firm.

The new entity, Judan Financial, will combine businesses spanning banking, insurance, asset management, alternative investments and financial technology, IHC said in a statement on Friday. They include asset managers Chimera Investment and the $115bn Lunate Capital as well as brokerage International Securities.

The move adds another investing heavyweight in Abu Dhabi, which is already home to investors that collectively oversee assets worth about $2tn. Many of them are prolific dealmakers across a range of sectors, from finance to artificial intelligence, and have deep ties to the titans of Wall Street.

Judan, which is expected to raise third-party and institutional capital, will have a valuation of about 100bn dirhams and is expected to "substantially scale" over the next five years.

A first cohort of strategic investors have already been secured, according to the statement. The entity will be chaired by Sheikh Tahnoon bin Zayed al Nahyan, who is the country's national security adviser. In addition to his role at the $239bn IHC, he oversees vast swathes of Abu Dhabi's oil wealth as chairman of its biggest wealth fund, its top lender and its main artificial intelligence investor.

"Judan Financial has been established to create a globally relevant financial services institution, built on strong governance, long-term capital and differentiated platforms," he said in the statement.

The new entity will house Lunate, which has struck partnerships with Wall Street heavyweights and placed bets on the likes of OpenAI. It works with many of the world's largest firms including BlackRock Inc, Blackstone Inc, CVC Capital Partners Plc and Brookfield Asset Management.

IHC's latest move comes just months after it merged three units to create an investing behemoth with $33bn in assets spanning finance, consumer and energy spread across 85 countries.

Abu Dhabi sovereign wealth apparatus, too, has seen sweeping changes.

Russia's central bank signals rates to come down further after surprise 50bp cut

Reuters
Moscow

Russia's central bank cut its key interest rate by 50 basis points to 15.5% on Friday and signalled that rates could fall further in a bid to shore up the slowing wartime economy, which is struggling with high borrowing costs.

The bank's surprise cut came just 10 days after President Vladimir Putin told top officials from the government and central bank to restore the economic growth rate and urged them not to simply monitor prices.

Governor Elvira Nabiullina said that the bank considered holding the rate or cutting by 50 basis points, and that there had been a debate over data showing a sharp rise in prices at the start of the year.

"We are now more confident that we can continue to lower the key rate at the upcoming meetings," Nabiullina, who has served as central bank chief since 2013, told reporters.

"Larger steps" and also "pauses" were possible in the future, she said, adding: "Our signal is not an unconditional commitment to lower the rate."

In its release, the bank said further cuts would depend on inflation, but that the baseline scenario assumed the average key rate to be in the range from 13.5% to 14.5% in 2026.

Of the 24 analysts surveyed by Reuters ahead of the decision, 16 had expected the bank to hold rates. Just eight out of the 24 predicted a 50-basis-point cut. The rouble was little changed.

Russia's economy, which showed significant resilience to Western sanctions over the course of the first three years of the conflict in Ukraine, slowed down sharply last year after the central bank hiked the key rate to fight inflation.

Russia's government forecasts growth of 1.3% this year, after 1.0% in 2025. The central bank kept its 2026 growth forecast at 0.5%-1.5%. It sees growth of 1.5%-2.5% next year.

Nicholas Farr, an economist at Capital Economics, said the rate cut was "a dovish surprise" but that he maintained his forecast for rates to end the year at 13%.

The central bank raised its forecast for annual inflation to 4.5-5.5% from 4.0%-5.0%, but cautioned about the rise in prices in January.

Prices have risen by 2.1% since the start of the year, reaching 6.5% on an annual basis, as a result of an increase in value-added tax, which the government introduced to contain the budget deficit.

Nabiullina said that the bank did not expect a wave of inflation and saw the price rises at the start of the year as the peak.

But she did caution that, if the budget deficit rose, then it would limit the bank's ability to cut rates further.

Reuters reported earlier this month that Russia's public deficit could balloon to almost triple the official target by end-2026, as a fall in Indian purchases of oil and growing oil trade discounts eat into revenues while spending may be higher than expected.

The central bank was clear that Russia remained subject to global risks. US President Donald Trump this month said he had agreed with India that New Delhi would halt oil purchases from Russia.

The bank cut its forecast for the average price of oil this year by $10 to $45 a barrel from its previous forecast published in October.

US consumer inflation eases more than expected in January

Reuters
Washington

Shoppers wait in line at the cash registers at a grocery store in Lenexa, Kansas. US consumer prices increased less than expected in January amid cheaper gasoline and a moderation in rental inflation, but households faced higher costs elsewhere, suggesting little urgency for the Federal Reserve to resume cutting interest rates before summer.

US consumer prices increased less than expected in January amid cheaper gasoline and a moderation in rental inflation, but households faced higher costs elsewhere, suggesting little urgency for the Federal Reserve to resume cutting interest rates before summer.

The Consumer Price Index report from the Labor Department on Friday showed underlying inflation pressures warmed up last month, likely as businesses pushed through start-of-the-year price increases for goods and services, including personal care, recreation as well as airline fares and hospital services.

Still, the slowdown in overall inflation will be welcomed by President Donald Trump, whose approval ratings on the economy have taken a hit amid anxiety over jobs and affordability. The report followed on the heels of news this week of an acceleration in job growth in January and a drop in the unemployment rate to 4.3% from 4.4% in December.

"Looking at the breakdown, this was a noisy report," said James McCann, senior economist, investment strategy at Edward Jones. "Overall, the data suggest that price pressures remain a little too hot for comfort for the time being, but the direction of travel for inflation continues to look to be lower, even if this has proved a bumpy and slow process. For the Fed, this probably doesn't change much in the near term."

The Consumer Price Index rose 0.2% last month after an unrevised 0.3% gain in December, the Labor Department's Bureau of Labor Statistics said. Economists polled by Reuters had forecast the CPI increasing 0.3%. With January's CPI report, the BLS published recalculated seasonal adjustment factors to reflect 2025 price movements.

The report was slightly delayed by last week's three-day shutdown of the federal government. A longer shutdown last year prevented the collection of prices for October, causing volatility in the CPI data. The cost of shelter, which includes rents as well as motel and hotel stays, increased 0.2% after surging 0.4% in December. Food prices rose 0.2% after accelerating 0.7% in the prior month. Grocery store prices climbed 0.2% as more expensive cereal and baked goods were partially offset by a 0.4% easing in the cost of beef and veal.

Eggs and coffee were also relatively cheaper last month as were fresh fruits and vegetables. The Trump administration has rolled back and cut tariffs on some imported food. Still, food prices increased 2.9% from a year ago. Consumers also got more relief at the pump, with gasoline prices dropping 3.2% in January from the prior month.

Though electricity prices dipped 0.1%, they surged 6.3% year-on-year, reflecting demand from data centers to power artificial intelligence. In the 12 months through January, the CPI increased 2.4%. The slowdown in the year-on-year inflation rate from 2.7% in December mostly reflected last year's higher readings dropping out of the calculation. The US central bank tracks the Personal Consumption Expenditures Price Indexes for its 2% inflation target. Both measures are running well above target. The government reported this week that job growth accelerated in January and the unemployment rate fell to 4.3% from 4.4% in December. The Fed last month left its benchmark overnight interest rate in the 3.50%-3.75% range.

Excluding the volatile food and energy components, the CPI increased 0.3% after rising by an unrevised 0.2% in December.

Core CPI numbers have overshot expectations every January, with economists saying the seasonal adjustment factors, the model used by the BLS to strip out seasonal fluctuations from the data, were not fully accounting for the one-off turn-of-the-year price increases.

AI fears drive volatility, triggering declines in US stock market

Bloomberg
New York

For three years, AI was the stock market's saviour. Suddenly, it's become a marauder, and virtually no corner of the equity market looks safe from its impact.

Just in the past 10 days, investors have delivered swift routs to companies toiling in industries as disparate as logistics, real estate, software, private credit, insurance and wealth management. In each case, the release of a new artificial intelligence tool, most famously from Anthropic PBC but also from small, lesser-known startups, prompted a rapid reassessment of business prospects.

While some of the selling pressure eased on Friday, major US averages are headed for a second week of losses. Financials have led the drop this week, along with makers of consumer discretionary products and technology firms. The Cboe Volatility Index remains above its long-term average, and investors are paying up for protection against more turbulence in the near-term.

"All we have done and seen in the past few weeks is the market torch the perceived AI losers. Obviously the definition of AI losers is changing almost daily to the point where you can't track it via themes or baskets. Narratives are just moving way too fast for positioning," said David Wagner, portfolio manager at Aptus Capital Advisors.

The one constant is that AI applications have become the market's bogeyman, capable of erasing billions in value in a matter of hours as investors question the very viability of large swaths of the corporate landscape. The fear of disruption from AI is so high that even seemingly small announcements or product releases have led to sharp reactions for entire sectors.

"A lot of these narratives, they're kind of whimsical and flippant," said Wagner, adding that they end up creating violent feedback loops in the market. Take Thursday, where a tiny karaoke-turned-AI-logistics company issued a press release on a new AI tool and shares of CH Robinson Worldwide Inc. and Landstar System Inc tumbled, taking the whole sector down with them. Days earlier, Charles Schwab Corp and its ilk got hammered on news of a new wealth-advisory AI application.

The front facade of the New York Stock Exchange. While some of the selling pressure eased on Friday, major US averages headed for a second week of losses.

Tax-preparation firms look vulnerable, along with real estate groups — and so they came in for a housing. The seeming randomness of the declines, along with the sheer breadth of what is getting hit has left investors with the feeling that any part of the market could be next.

"The perception is spreading like a wildfire, and it's spreading horizontally," Joseph Shaposhnik, portfolio manager at Rainwater Equity, said. "In other words, it was once confined to a particular sector, and now it's spreading across sectors, the fear of the risk."

An increasingly uncertain macroeconomic backdrop is adding to the tension. Valuations are stretched across the board with the S&P 500 Index only two weeks removed from a record after three years of double-digit gains. President Donald Trump's ever-changing policies and ongoing tariff threats have added to volatility. Wall Street also is hyper-focused on labor market and inflation data for clues on the path for interest rates.

There's some sense, visible in the ups-and-downs of the broader market, that the AI selloff is overdone, at least in its breadth.

"People are extrapolating what's happened in the software sector to what's happening in other sectors of the economy. And I just don't know if that is a fair analogy," said Jim Thorne, chief market strategist at Wellington-Altus. "I think they're misplaced, I'll put it that way."

Of course, the swift declines in shares cut both ways, offering investors a chance to buy the dip in companies they think have been unfairly punished and are now trading at enticing discounts. That may prove to be a more fruitful investment strategy than attempting to divine the market's next victims.

"It's better for investors to focus on where are the opportunities," said JoAnne Feeney of Advisors Capital Management. "It's very hard to know what's going to be disrupted." Goldman Sachs Group Inc. this week rolled out a custom basket of stocks that attempts to navigate the upheaval in the software sector.