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# GULF TIMES BUSINESS



MONETARY POLICY: Page 2

Investors delay Fed rate cut expectations amid uncertainty

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## Qatar and UK deepen partnership across frontier sectors

By Peter Alagos  
 Business Editor

Firms from the UK are finding new pathways to scale in Qatar through the country's various platforms, from artificial intelligence (AI) and biotech to climate tech and creative industries, as both countries deepen collaboration across frontier sectors.

These platforms, according to a recent joint report released by Invest Qatar and the British Chamber of Commerce Qatar (BCCQ), such as the Qatar Financial Centre (QFC), Qatar Science & Technology Park (QSTP), Qatar Free Zones Authority (QFZ), and Media City Qatar are enabling UK companies to scale in priority sectors, including sports, creative industries, and digital media.

Similarly, the UK Science and Innovation Network and the UK-Qatar Genomics Alliance are driving frontier research in genomics, precision medicine and smart city solutions, the report stated, underscoring that "a new wave of private sector engagement is emerging as a key driver of bilateral growth."

Targeted matchmaking, small-and-medium enterprise (SME) acceleration programmes and co-innovation platforms are linking entrepreneurs, investors, and corporates through dedicated platforms, such as Startup Qatar and the Invest Qatar Gateway, the report stated.

"These provide streamlined access to market intelligence, financing, and partnership opportunities, enabling firms to scale internationally and connect with counterpart ecosystems," the report noted.

Backed by "trusted, steadily deepening partnerships," the report pointed out that Qatar and the UK "are poised to unlock the next wave of opportunities," citing decades of investment, strong trade flows, and cross-sector collaboration creating "a dynamic, innovation-driven ecosystem primed for future growth."

"Anchored by shared strategic frameworks, such as the Future Framework, the Strategic Dialogues, and the Joint Economic and Trade Committee (JETCO), this partnership is actively shaping the economic landscape," the report emphasised. In early February,



Firms from the UK are finding new pathways to scale in Qatar through the country's various platforms, from artificial intelligence and biotech to climate tech and creative industries, as both countries deepen collaboration across frontier sectors

Doha hosted the fourth Qatar-UK JETCO meeting, co-chaired by HE Minister of State for Foreign Trade Affairs Dr Ahmed bin Mohammed al-Sayed and the Minister of State for Trade Policy in the UK Department for Business and Trade Sir Chris Bryant, according to a QNA report.

During the meeting, al-Sayed stated that Qatar's investments in the UK exceeded "£40bn," while the volume of Qatar-UK trade exchange stood at "£1.7bn" in 2024, making the UK "a major trading partner" for the country, QNA also reported.

"[Al-Sayed] also noted that foreign direct investment flows from the UK to Qatar reached more than £6bn during 2017 to 2024, which reflects the confidence of British investors in the attractive investment environment in Qatar, where more than 600 British companies are operating in Qatar's market," QNA also stated.

The Invest Qatar-BCCQ joint report anticipates Qatar-UK ties to enter "a new phase of high-impact collaboration," on the back of the Qatar National Vision 2030, the Third National Development Strategy (NDS3), the Ministry of Commerce & Industry's (MoCI) Manufacturing Strategy 2024-2030, and the UK's Invest 2035 Modern Industrial Strategy.

Both countries' long-term visions emphasise the importance of several key growth corridors, including clean

energy and climate technology, AI and digital transformation, advanced manufacturing, life sciences, and green finance.

"The NDS3 outlines ambitious goals, including enhanced productivity, increased research and development investment, expansion of a skilled workforce and growth in non-hydrocarbon exports. The MoCI's strategy emphasises smart manufacturing, supply chain resilience and industrial innovation.

"In parallel, the UK's Invest 2035 framework identifies high-growth sectors where the UK aims to consolidate its global leadership. The current trajectory presents an unprecedented opportunity to expand the UK-Qatar partnership into a globally influential alliance," stated the report.

The report added: "Multi-sector working groups launched in 2025 will translate strategic commitments into tangible projects, while co-investment synergies and international partnerships will extend both countries' influence into new regions.

"By aligning industrial capabilities, mobilising strategic investment and strengthening innovation ecosystems, Qatar and the UK are well-positioned to shape the industries, technologies and solutions that will define the next chapter of economic growth."

## Estithmar Holding pays third semi-annual coupon of 8.75% sukuk tranche

Estithmar Holding has paid the third semi-annual coupon of its Qatari riyal-denominated sukuk (first tranche), at an annual profit rate of 8.75%.

The first tranche, part of the company's broader sukuk programme valued at QR3.4bn and listed on the London Stock Exchange's International Securities Market, was issued in August 2024.

The issuance attracted a diverse pool of institutional investors, including banks, insurance companies, and asset managers, with strong interest from both government-affiliated and private institutions. The demand reflects growing investor confidence in Estithmar Holding's ability to deliver sustained value to



stakeholders. Estithmar Holding was recently included in the FTSE Russell Global Equity Index, in Qatar's Mid-Cap segment, following FTSE Russell's latest semi-annual review.

The inclusion is aligned with the company's consistently strong financial and operational performance over the past three years. Most recently, Estithmar

Holding reported a net profit of QR938mn (\$257mn) for 2025, marking a 122% year-on-year increase.

The company's regional and international expansion strategy continues to underpin its growth trajectory.

Estithmar Holding's operations now span 10 countries, with a diversified portfolio that includes healthcare projects in Qatar, Algeria, Iraq, and Libya; services sector expansions in Qatar, Saudi Arabia, Iraq, Libya, Jordan, Kazakhstan, and the Maldives; real estate development and tourism investments in Qatar, Iraq, and the Maldives; and specialised contracting operations in Qatar, Saudi Arabia, Iraq, Algeria and Syria.

## 'Qatar undertakes 'significant' reform of insolvency framework'

By Santhosh V Perumal  
 Business Reporter

Qatar is undertaking "significant" reforms of its insolvency framework, with new legislation focused on business rescue, investor confidence, and stronger creditor protections, according to Sharq Law Firm.

"These reforms aim to introduce greater flexibility, clearer cross-border rules, and stricter accountability for misconduct, aligning Qatar more closely with advanced jurisdictions such as the UAE and the UK," it said in an article 'Corporate Restructuring and Liquidation for Distressed Companies in Qatar'.

Until these changes are fully implemented, it said company directors must carefully fulfil their legal duties, as existing laws already impose personal liability for failures during financial distress.

For creditors and investors, enforcement and recovery mechanisms are available and improving, supported by active regulatory oversight.

"Overall, while the system is still evolving, Qatar's insolvency regime is progressing towards international best practice, enhancing confidence for local and foreign businesses, with specialist legal guidance playing a key role in navigating restructuring and liquidation processes," it said.

Corporate restructuring and liquidation are critical processes for distressed companies in Qatar, governed by a structured legal framework that aims to ensure the orderly resolution of insolvency while safeguarding stakeholder interests.

Qatar's regime strikes a balance between facilitating business rescue and protecting the rights

of creditors and investors. In recent years, efforts have intensified to modernise the relevant laws in line with international standards and enhance investor confidence.

Recognising the importance of investor confidence, Qatar has proposed new insolvency legislation, it said, adding a draft law approved in 2017 aims to modernise the bankruptcy framework in line with international standards. "Although not yet enacted, public statements suggest a new law is forthcoming to strengthen investor protection and streamline restructuring," the article said.

Until such reforms are implemented, distressed companies must operate within the existing legal structure.

Highlighting that Qatar operates two concurrent insolvency regimes for corporate entities, the first applies onshore and is governed by Commercial Law No 27 of 2006 (the Trading Regulation Law) and Commercial Companies Law No 11 of 2015. These laws regulate bankruptcy, dissolution, and liquidation procedures.

The Trading Regulation Law includes a comprehensive bankruptcy framework (Articles 606-846) covering bankruptcy declaration, estate administration, asset liquidation, debtor rehabilitation, and preventive composition.

The Companies Law outlines specific grounds and steps for winding up an establishment.

The second regime applies within the Qatar Financial Centre (QFC), a jurisdiction based on English common law. Governed by the QFC Insolvency Regulations 2005, this regime mirrors the UK system and provides mechanisms such as administration, debtor-in-possession rescue procedures, and creditor remedies, including committees and cross-border recognition.

## QSE sees 74% stocks end in red as index falls 213 points

By Santhosh V Perumal  
 Business Reporter

Heightened geopolitical tensions continued to hit the Qatar Stock Exchange (QSE), which saw its key index plunge 213 points, wiping off more than QR16bn in capitalisation this week.

The insurance and real estate counters witnessed higher than average selling pressure as the 20-stock Qatar Index plummeted 1.99% this week which saw the Qatar Financial Centre stress that global spare capacity of liquefied natural gas (LNG) is "insufficient" to replace Qatar's volumes on "technical constraints" of LNG importers and "structural vulnerability" of gas exporters.

"Valuations have become attractive, which may see selective buying in the coming days. However, apprehensions are also there over the longevity of the geopolitical conflict and its effects on the sectors and the economy,"

an analyst said. More than 74% of the traded constituents were in the red in the main market this week which saw Nebras Energy enhance its global presence, even as it strengthens domestic operations through higher generating capacity stations and replacing older, lower-efficiency stations with newer and more efficient ones.

The real estate and industrials sectors accounted for about 60% of the trading volumes in the main market this week which saw Barwa Real Estate Group develop a comprehensive strategic plan for 2026, structured around three fundamental pillars, outlining next phase of growth.

The Islamic index was seen declining faster than the other indices of the main market this week, which saw a total of 0.11mn AlRayan Bank-sponsored exchange traded fund QATR worth QR0.25mn trade across 63 deals.

Market capitalisation eroded QR16.14bn or 2.54% to QR620.31bn on the back of large and

### WEEKLY REVIEW

midcap segments this week which saw a total of 0.08mn Doha Bank-sponsored exchange traded fund QETF worth QR0.86mn trade across 77 transactions.

Trade turnover and volumes were on the decline in the main market this week which saw as many as 0.23mn sovereign bonds valued at QR2.25bn change hands across two deals.

Trade turnover and volumes were also on the decrease in the venture market this week which saw no trading of treasury bills.

The Total Return Index shed 0.68%, the All Share Index by 1.18% and the All Islamic Index by 2.61% this week which saw Leshia Bank's wholly owned subsidiary LAC 10 acquire the entire issued share capital of Amedeo Air Four Plus, an aircraft leasing company incorporated in Guernsey and listed on the

London Stock Exchange. The insurance sector index plunged 5.64%, real estate (4.03%), industrials (1.3%), banks and financial services (1.21%), consumer goods and services (0.56%) and transport (0.36%); while telecom gained 1.46% this week which saw Mannai Corporation expects its auto division's vehicle sales to continue on growth trajectory and ICT (information, communication and technology) segment to further broaden revenue streams, especially from the regional opportunities.

Of the 54 stocks, as many as 40 declined, while only 13 gained and one was unchanged this week which saw Fitch, a global credit rating agency, find that Iran's attacks on the Gulf Co-operation Council countries, and the resulting closure of airspace and the main shipping route, are unlikely to affect the existing ratings of state-owned companies in the region.

Major shakers in the main market included Barwa, Qatar Cinema and Film Distribution,

Qamco, Qatar Insurance, Gulf International Services, QNB, Qatar Islamic Bank, Salam International Investment, Mannai Corporation, Meeza, Mekdam Holding, Mosanada Facilities Management Services, Industries Qatar, Nebras Energy, Qatar Industrial Manufacturing, Qatari Investors Group, Ezdan, Mazaya Qatar, Vodafone Qatar, Ooredoo and Gulf Warehousing. In the junior bourse, Techno Q saw its shares depreciate in value this week.

Nevertheless, Zad Holding, Medicare Group, Doha Bank, Commercial Bank, AlRayan Bank and Ahlibank Qatar were among the gainers in the main bourse this week.

The main bourse saw 4% contraction in trade volumes to 851.01mn shares, 8% in value to QR2.3bn and 14% in deals to 138,225 this week.

In the venture market, trade volumes dipped 41% to 0.17mn equities, value by 43% to QR0.33mn and transactions by 24% to 50 this week.



## Higher oil clouds Wall Street's sunny earnings outlook

By Jamie McGeever  
Orlando, Florida

US companies face structurally higher oil prices this year even if the Iran war ends soon, meaning investors may need to rethink those sunny 2026 corporate earnings forecasts. Heading into the year, the consensus 2026 outlook for oil was fairly bearish, while the earnings forecasts for Wall Street were pretty optimistic. The latter hasn't changed. As of Friday, full-year 2026 earnings growth estimates, according to LSEG data, were nearly 16%, up from 14% last year and 12% the year before. However, those rosy outlooks assume an average oil price this year close to \$60 per barrel - an expectation that disappeared into thin air with the US-Israeli strikes on Iran on February 28 and subsequent supply disruption. Oil market volatility has been wild. Crude recorded its biggest weekly rise on record last week, and rose further to almost \$120 a

barrel this week before plunging on hopes for a swift end to the conflict. While oil will likely drift lower when the war eventually subsides, the damage is done. The finely tuned global energy system has been upended, infrastructure has been hit and the expected supply glut has evaporated. Average oil prices this year will almost certainly be much higher than businesses were budgeting for on January 1. Companies will absorb part of that increase, and consumers will certainly feel the pinch. Either way, corporate earnings will be squeezed. In a Reuters poll in December, the consensus average 2026 forecast for Brent crude was \$61.27 a barrel, with oversupply expected to offset possible supply disruption from the brewing US-Iran tensions. That would have represented a 7% decline from the 2025 average of \$68.20. These forecasts have since been torn up. Analysts at HSBC on Tuesday raised their average 2026 Brent

forecast to \$80 from \$65 and their US West Texas Intermediate crude outlook to \$76 from \$61. These are increases of 23% and 25%, respectively. Also on Tuesday, the US Energy Information Administration upped its average 2026 Brent crude forecast to \$79 from \$58 last month. That's a 36% increase. Few sectors of the economy will escape the impact of energy price hikes like that. Gasoline, jet fuel, fertilizer, petrochemicals and plastics will all be more expensive, with pain felt in industries as diverse as transportation, manufacturing, metals, retail and food. "As prices rise, consumption is affected, and, ultimately, corporate earnings erode," says Joe Brusuelas, chief economist at RSM US LLP. Equity strategists at Goldman Sachs reckon the direct impact of "modestly" higher oil prices on S&P 500 earnings should be fairly muted, but an extended period of supply disruption or uncertainty poses much greater risk to economic activity. For every one percentage point

decline in real US GDP growth, S&P 500 earnings per share could fall 3-4%, they posit. Other estimates suggest a 30% rise in oil prices could knock as much as 4% off S&P 500 earnings, with the pain felt most acutely in transportation, industrial, and consumer discretionary. Consumer spending accounts for around 70% of US economic activity. Sharply higher energy costs will squeeze household budgets, and spending elsewhere will suffer. Alarm bells are already ringing. Average US gasoline prices are now over \$3.50 a gallon, according to American Automobile Association data. That's up 17% from before the war started. There's a flip side, of course. Sustained higher oil prices boost energy sector profits, and double-digit earnings growth for the sector is not out of the question. But energy only accounts for 4-5% of total S&P 500 earnings and thus is unlikely to offset the hit to margins elsewhere.

Within current 2026 earnings growth forecasts, there is incredibly wide dispersion among the 11 sectors. At the other end of the scale, tech's 2026 EPS growth estimate was 35.9%, comfortably the highest among all sectors and up from 30.8% on January 1. Tech has contributed the lion's share of the S&P 500's earnings growth in recent years. But higher energy prices are a blow for the mega-cap firms leading the artificial intelligence arms race. UBS analysts estimate capex spending by the "hyperscalers" this year will hit \$770bn. The construction and running of those data centers could now get a lot more expensive. Investors were already nervous about the future returns on these outlays. Significantly more expensive energy will only deepen their fears at a time when risks to many other sectors are growing too.

■ *Jamie McGeever is a columnist for Reuters. The opinions expressed here are those of the author.*

## UBS AM set to buy shorter Europe debt as hike bets seen overdone

Bloomberg  
Zurich

UBS Asset Management is betting the market has gotten too far ahead of itself positioning for interest-rate hikes by the Bank of England and the European Central Bank. UBS AM has bought two-year UK gilts this week and is ready to pick up five-year German bonds if markets come closer to fully pricing two ECB rate rises this year. BNP Paribas Asset Management, meanwhile, has taken a similar stance since the attack on Iran began, favoring shorter notes and selling longer-dated ones to reduce duration - market parlance for a bond's sensitivity to interest rate moves.

"We've seen a dramatic repricing in the front end of the UK and euro curves," said Kevin Zhao, head of global sovereign and currency at UBS AM. These moves present "asymmetric opportunities," he said.

Oil above \$100 and spiraling inflation fears have sent yields in Europe and the UK soaring since the Iran war began as traders rush to reverse bets on central-bank rate cuts. But some investors argue policy makers will ultimately have little appetite to hike if it exacerbates the economic pain countries face from higher energy prices.

The strategy in Europe is backed by the view that inflation is better anchored in the euro zone than other countries, while the impact of high oil prices on growth is much greater because the region is a net energy importer.

While the UK has been grappling with more persistent inflation, the labor market is showing signs of strain. That's boosted the view that the BOE will only delay the cuts the market was previously expecting. On Friday, swaps implied around a 50% chance of a hike by year-end.

Both UBS AM and BNP Paribas AM say markets are wrong to suddenly flip to pricing about two ECB hikes in 2026. Their position chimes with a Bloomberg poll of economists which shows that most forecasters see the central bank keeping rates steady through 2027, even as price risks resurface.

The swaps market is currently pricing the risk that the ECB will deliver around 40 basis points of tightening by the end of the year, having pivoted sharply from a slight possibility of a cut just two weeks ago. Zhao at UBS is waiting for those bets to rise slightly higher to buy.

"If the ECB sends any hawkish signal, sending European bond yields higher, this will be a good opportunity to buy," he said. "We're very close to that level now, and we have the trade set up already."

Nick Hayes, a portfolio manager at BNP Paribas AM, has cut duration from around four years to two-and-a-half years. While yield curves have flattened since the start of the war, he says longer-dated debt is more vulnerable given the risk of sticky inflation and the potential for greater bond issuance to finance support for households and businesses.

"Where we want to own duration is at the short end of the curve," he said in an interview. "We've reduced US, European duration on the back of that, and we'd already done some of the UK earlier in the year."

Both central banks and the Federal Reserve could be on hold for the rest of the year in the event of a protracted conflict, he added. "We really don't think you'll see rate hikes anytime soon," Hayes said. "But we're still concerned by the inflation component."

## Investors dash Fed rate cut hopes amid economic uncertainty

Reuters  
Washington

Chances for President Donald Trump's Federal Reserve chair nominee Kevin Warsh to quickly loosen monetary policy are dwindling in the eyes of investors and analysts who have begun pushing back the dates of expected rate cuts and limiting how far they see Warsh being able to steer his colleagues towards lower borrowing costs if an ongoing oil price shock persists.

Despite moves by major developed nations to release stockpiled oil reserves, the price of benchmark Brent Crude surged back to more than \$100 a barrel on Thursday amid ongoing Iranian attacks against shipping in the strategic Strait of Hormuz, more oil infrastructure closures in the region, and Trump's rhetoric that has veered from hints of a quick end to US-Israeli bombardment of Iran to demands for "unconditional surrender".

The war has been a blow to Trump's efforts to focus on pocketbook issues, with the price of gasoline jumping to nearly \$3.60 a gallon on Thursday from less than \$3 before the start of hostilities.

Interest rates on 30-year home mortgages this week rose to 6.11% from 6% last week according to housing agency Freddie Mac, and interest rates on a variety of US government debt have also jumped since the start of US-Israeli bombing in Iran, a challenge if sustained to Trump's pledges to curb US deficits. Stock markets are also sharply lower, possibly undercutting a key prop to consumer spending among wealthier households.

Central bankers typically regard commodity supply shocks as leading to temporary price disruptions with only a fleeting impact on underlying inflation. But the longer oil prices remain elevated, the more it feeds



The Federal Reserve building in Washington, DC. Chances for President Donald Trump's Fed chair nominee Kevin Warsh to quickly loosen monetary policy are dwindling in the eyes of investors and analysts who have begun pushing back the dates of expected rate cuts and limiting how far they see Warsh being able to steer his colleagues towards lower borrowing costs if an ongoing oil price shock persists.

through to top-line consumer items like gasoline as well as the diesel fuel that powers the trucking industry, and eventually to things like airline ticket prices and even food given the potential for fertilizer prices to rise.

With inflation already above the Fed's 2% target and memories of the pandemic-era inflation shock still fresh, policymakers remain concerned that their credibility is at stake, and that relenting on interest rates if prices escalate would send the wrong message.

The Fed's response will "depend on the scale, scope, and length" of the oil shock, said Vincent Reinhart, chief economist at BNY Investments, who noted that rising energy costs get spread through the economy in complex ways, increasing some prices but also leading consumers to shift or slow spending, and changing expectations for economic growth and hiring. The

current Fed has the added complication that public attitudes about inflation may be primed to shift given the experience of the last five years when inflation soared to levels not seen since the 1980s - during a different US conflict with Iran.

"If expectations are less well anchored, it'll show up more in inflation," than as a blow to growth, Reinhart said. Though he believes the Fed is still leaning towards rate cuts, "this is a situation in which uncertainty is elevated and the appropriate policy is to sit and wait to see what happens."

Fed officials are in fact expected to hold the policy rate of interest steady in the current 3.5% to 3.75% at their meeting next week, with attention more on the language of a new policy statement, the more detailed outlook provided by Fed Chair Jerome Powell in a press conference, and new economic projec-

tions that will show policymakers' initial assessments about the impact of the war on prices, jobs, growth and interest rates.

Officials will be hard-pressed to read the tea leaves in the current muddled brew they are trying to understand, with the Iran war front of mind but important unsettled questions also around tariff policy, immigration, and recent regulatory and tax changes that could influence businesses and households.

Government data only arrives with a lag, and it may even take time for shifts in behavior to show up in higher frequency sources.

Michael Gunther, senior vice president for research and market intelligence at Consumer Edge, a firm that aggregates spending data from credit and debit cards, said that since the war began there were some possible signs of consumers adjusting to higher gas prices by order-

ing more from online retailers, and boosting per-trip spending at some stores perhaps as a way to space out the need to drive.

But "in terms of meaningful drop-offs in spending since Saturday, the 28th of February -- we are not seeing it," Gunther said. As oil prices add to inflation worries, investors see the Warsh Fed increasingly constrained.

Expectations that the new Fed chair would usher in his term with a rate cut at his first meeting in June have now shifted steadily back, perhaps as late as December. Data from the CME Group's FedWatch indicate a long wait from there, with the next cut not coming until late in 2027. Warsh must still be confirmed by the Senate before an anticipated handoff from Powell in May.

EY Parthenon chief economist Gregory Daco said he now does not expect the Fed to cut until December, and "it is entirely plausible that the Fed won't deliver any rate cuts this year," putting Warsh quickly out of step with Trump's ongoing demands, repeated on Thursday for immediate and deep rate cuts.

New data on the Fed's preferred Personal Consumption Expenditures Index will be released today for the month of January, with analysts expecting it has remained at least a percentage point above the Fed's target - a number that itself is already out of date given the lag in reporting and the onset of US hostilities with Iran that won't begin filtering into official statistics for weeks.

Economists polled by Reuters expect PCE inflation accelerated to a 3.1% annual rate in January from 3% the month before - but that's excluding volatile energy and food items that could be about to drive headline inflation higher and trigger debate over just how fully the Fed can "look through" the fallout from the war with Iran.

## ABB open to 'more than one' big deal in renewed M&A drive

ABB looking at larger M&A deals, chairman says; Middle East energy crisis will take months to return to normal; boardroom refresh planned for next year; does not think AI bubble will burst

Reuters  
Zurich

ABB is stepping up its acquisition drive and is open to pursuing more than one multi-billion dollar transaction, Chairman Peter Voser told Reuters, as the Swiss engineering group looks to speed up growth after years of divestments.

Voser said ABB, which has a market cap of 125bn Swiss francs (\$159bn), was evaluating acquisitions of up to several hundred million dollars, but was prepared to "step up" to bigger

deals for the right target. "If you look at our balance sheet and the cash flow we produce every year, and the \$5bn coming in from the robotics divestment, we could also do more than one larger deal," Voser said in an interview at ABB's Zurich headquarters. The comments point to a more aggressive acquisition focus by ABB after years of sales, including the robotics division deal with SoftBank last year. Voser declined to comment on reports that ABB had considered bidding for French electrical equipment maker Legrand, a transaction that would have been the Swiss group's biggest ever. Legrand has a market value of around \$43bn. "ABB has never done such a large deal but generally speaking I wouldn't completely rule out a deal of that size in the future," Voser said. However, he added that deals closer to its record



Peter Voser, chairman of the board of directors of ABB.

\$4.2bn purchase of motor maker Baldor were more likely. ABB, a competitor to Siemens and Schneider Electric, has recently focused on raising profit margins and offloading businesses outside electrification products used in areas like data

centres and automation. Future deals would be focused on electrification, motion and automation, Voser said, with the company "constantly in negotiations" on smaller transactions, while larger deals remain an active topic at board

and executive committee level. "We want to grow organically by 5-7% on average per year, but we have aspirations to grow more, and that will come through M&A," he said, referring to sales. While ABB has so far seen no major negative effects from the Middle East conflict, which began on the last day of February, Voser, a former CEO of energy firm Shell, warned the crisis risked an energy hit to the global economy, hurting demand and investment if it persists. "The longer it lasts, the more the global economy will suffer - you will get energy shortages, prices will go up, and that should have a direct impact on demand," he said. Voser said that even if the conflict ended soon, complex energy systems would take time to restart. "To restart a refinery is not a one-day show; it will take one or two

months before the whole global energy supply system would be fully working again," he said. Still, the executive, who is also an IBM board member, remained optimistic about demand tied to electrifying data centres that support artificial intelligence workloads, which has been a leading growth driver. But he cautioned that some debt-funded AI companies without revenue may not survive, potentially creating credit stress, particularly in the United States.

The 67-year-old executive, who has been ABB chairman since 2015, also signalled a board refresh starting next year, opening the way for his potential departure in 2028 when he turns 70. "We're planning to make some changes to the board and then obviously at some stage my time comes as well," he said.

# Megadeals set Japan on course for record M&A run despite crisis

**Bloomberg**  
Tokyo

Last year's deals boom put Japan on the priority list for bankers and investors, and momentum toward the end of the first quarter suggests 2026 could go a step better, even with the crisis in the Middle East.

Leading the charge, the Toyota group has reached an agreement with Elliot Investment Management — after a standoff — to privatise Toyota Industries Corp in a transaction valuing the company at \$43bn. That's the biggest acquisition ever of a Japanese firm. Then there's Tokyo-based SoftBank Group Corp, which has committed \$30bn to OpenAI's \$110bn fundraising.

These huge transactions have helped to give Japan one of its biggest quarterly hauls on record for deals, data compiled by Bloomberg show.

"Japan is one of the most exciting and interesting markets globally right now and it will continue," said Jan Metzger, co-head Asia Pacific investment banking at Citigroup Inc.

Reforms to improve corporate governance and shareholder returns have encouraged inbound merger and acquisition activity, while Japanese companies also seek opportunities overseas. Private equity-led transactions and activism are on the rise, along with corporate carve-outs and take-private deals.

Given the rise in transactions, Japan's main banking lobby plans to establish risk management guidelines for lenders offering leveraged loans for M&A deals, according to people familiar with the matter. "Corporate Japan is



Buildings in Tokyo. Last year's deals boom put Japan on the priority list for bankers and investors, and momentum toward the end of the first quarter suggests 2026 could go a step better, even with the crisis in the Middle East.

transforming and the active inbound and outbound M&A markets, both in public and private M&A, are compelling evidence of that change," said Tracy Whiriskey, a partner and global co-head of insurance at law firm Linklaters.

"These factors are converging to unlock transactions that would have been inconceivable a decade ago — creating the conditions for a genuinely transformative year in Japanese M&A," Tokyo-based Whiriskey said. Recent acquisitions by founding families and group companies, not least Toyota, have also increased, said Masakazu Hosomizu, chief investment officer at US activist fund Sapphireterra Capital.

"While buyers previously held pricing power, activist voices have led to price revisions, resulting in more transactions being

conducted at fair prices," he said. "This also contributes to pushing up the total value of Japan-related acquisitions."

Japan is showing resilience even as sentiment globally is threatened by events such as the conflict in the Middle East, a selloff in technology stocks and private credit jitters.

"While assessing geopolitical risks in the Middle East is necessary, the positive trend for Japanese companies' cross-border deals should persist if the impact remains contained," said Akifusa Takada, managing partner at Baker & McKenzie in Tokyo.

Ellis Chu, head of Asia M&A at Jefferies Financial Group Inc, added that Japan continues to deliver large transactions. Last week, Denso Corp proposed buying Rohm Co, leading to a surge in

the chip-parts maker's shares.

In February, SiTime Corp agreed to buy Renesas Electronics Corp's timing unit in a transaction valued at about \$2.9bn, while Mitsubishi Corp is purchasing Aethon Energy Management LLC's US gas and pipeline assets for \$5.2bn, the biggest acquisition by a Japanese company in the American shale sector.

Asset disposals by HSBC Holdings Plc in Singapore and Indonesia are attracting insurers in Japan, and Hitachi Ltd is said to be soliciting bids for its data-storage business, while Toshiba Corp is said to be considering reducing its stake in its elevator unit amid interest from Finland's Kone Oyj. Sony Group Corp is also spinning off control of its home entertainment business to Chinese rival TCL Electronics Holdings Ltd.

# Apple cuts China App Store commission fees after government pressure

**Move estimated to save Chinese developers \$873mn annually; App Store fees are targeted by regulators worldwide; cut comes after pressure from Chinese regulators in huge market**

**Reuters**  
Beijing

Apple said on Thursday it would lower the commission fees collected by the company from its App Store in mainland China in a huge win for Chinese developers following apparent pressure from regulators in the US tech giant's second-largest market.

Fees for in-app purchases and paid transactions will be lowered to 25% from 30% starting on Sunday, the California-headquartered company said in a statement on its website.

In-app purchase transactions for developers belonging to Apple's small business and mini apps partner programmes will be cut to 12% from 15%.

"Mini apps" refer to smaller applications that operate within a larger application such as Tencent's WeChat.

The move is a breakthrough for Chinese app developers and operators of "super apps" including Tencent and TikTok owner ByteDance, whose platforms host many smaller apps created by third-party developers.

The cut is estimated to save Chinese developers more than 6bn yuan (\$873mn) in operating costs annually, the state-owned Economic Daily said in a Thursday report that framed the measure as a win for Chinese digital consumers.

"This adjustment will ... improve consumption choices and information transparency," the Economic Daily said.

"The premium for digital goods and services on the iOS side will be gradually eliminated, and the prices of membership subscriptions, game recharges, live broadcast tips, mini programs and other scenarios are expected to decrease, which is expected to save consumers up to nearly 1bn yuan per year."

The 30% "Apple Tax" remains a major target of antitrust scrutiny by regulators worldwide.

The EU introduced new legislation in 2024 that forced Apple to lower commission fees to 10% to 17% for developers. In the US, Apple allows users to pay in-app fees via alternative payment methods.

"In China's case, (Apple) have been talking with the IT ministry and other departments, and have been requested or pressured to reduce their fees," said Rich Bishop, founder of AppInChina, a firm that advises foreign software developers on making their apps available in China.

The move comes into effect on World Consumer Rights Day on Sunday, a time when Chinese state media usually highlights domestic and foreign companies accused of consumer rights violations. Apple was targeted by the campaign in 2013, when its after-sales service was criticised by state broadcaster CCTV, forcing the company to publicly apologise.

In future, the Chinese government may request Apple to collect App Store revenues in China instead of overseas, and further tighten regulatory oversight for foreign apps published in China, Bishop said. Apple has previously taken down apps such as virtual private networks (VPNs) from its China App Store at the request of Chinese internet regulators.

All internet-connected devices carry an individual code which discloses their location, and VPNs allow users to hide their location by assigning their device a new code. Many Chinese users and foreign firms operating in China use them to bypass strict domestic internet censorship of foreign websites.

China's antitrust regulator was mulling an investigation into Apple's policies and App Store fees, Bloomberg News reported last year, while Chinese consumers filed an antitrust complaint over the firm's app fee structure last October. Google cut Android developer fees worldwide last week.

Apple's fee reduction also applies to international developers whose apps are available on the China App Store. "Duolingo, the top-grossing education app in China, makes about \$50mn a year from the Chinese market and this will be saving them a decent amount of money," Bishop added.

# Emerging market stocks and currencies down

**Reuters**  
Singapore

Emerging market assets are on track to log a second consecutive week of losses on Friday, as investors continued to flee riskier bets, with no clear end in sight to the Iran war. The MSCI index for emerging

market equities fell 1.4% on the day, taking the weekly loss to nearly 2%. A similar index tracking emerging market currencies slipped 0.5%, setting it up for a weekly decline of about 0.6%.

Equities in Mumbai and Istanbul each dropped more than 1%, while Seoul slid 1.7% and Bangkok lost 1.5%. In central and eastern Europe,

Romania's leu was flat, while the country's benchmark equity index fell 0.3%. The government approved a 2026 budget targeting a deficit equal to 6.2% of economic output - a figure still well above the European Union's fiscal ceiling of 3% of GDP.

Turkish equities, which began the year on a strong footing, have since drifted into slight declines. The shift in

momentum comes as recent inflation data points to a loss of steam in the disinflation trend, with higher energy costs further clouding the outlook. The country is now expected to see consumer inflation reach around 25% by year-end. That came a day after Turkey's central bank paused its easing cycle once again, citing market turbulence from the conflict.

# Singapore must train more people to build AI, says official

**Bloomberg**  
Singapore

Singapore has committed more than \$51bn (\$782mn) to become a global hub for artificial intelligence (AI). But one of the architects of that effort says the country's approach to AI readiness may not be sufficient.

The current approach risks focusing on producing certified AI users when the nation also needs more AI builders, said Leslie Teo, a senior director at AI Singapore, the national AI research and development programme established in 2017. The challenge comes as companies increasingly adopt the technology and cut back on junior hiring.

"Junior employees are cheap. AI is cheaper, though," Teo said in an interview on Thursday. AI has become a strategic priority for governments as countries compete to develop their own

technology rather than rely on systems built elsewhere. The US, China and other major economies are investing heavily in AI research, computing power and talent development to build domestic capabilities. That global push is raising questions about how smaller economies like Singapore can keep pace.

Teo, who was GIC Pte's former chief economist and director of economics and investment strategy, believes the Singapore government will need to step in and treat early-career training as a public good as firms reduce the training they once provided new hires.

At the moment, the country's main tool to do so is SkillsFuture, the national training credits program that subsidises courses for citizens throughout their careers. About 606,000 individuals took part in supported training programs in 2025. While participation is high, the issue lies in speed, Teo said.



The skyline from the Marina Bay Sands in Singapore. The current approach risks focusing on producing certified AI users when the nation also needs more AI builders, said Leslie Teo, a senior director at AI Singapore, the national AI research and development programme established in 2017.

Training programmes must be designed, approved and rolled out through formal systems, meaning they can be years out of date by the time a curriculum is approved.

"The thing about AI is what you know today and what you know tomorrow can dramatically be opposite each other," said Teo, whose career has spanned global

financial institutions and the tech industry, including roles at the International Monetary Fund, the Monetary Authority of Singapore and Grab Holdings Ltd.

The rapid pace of change is already showing in Singapore's job market. The share of fresh graduates securing full-time permanent jobs fell to 74.4% in 2025, down from 79.4% the year before, according to the latest annual graduate employment survey by Singapore's universities.

But for Teo, the stakes go beyond the job market. Countries that rely entirely on AI systems developed elsewhere risk having little influence over how the technology evolves or whose interests it serves.

"There are certain decisions about technology and building that if you're not at the table, you cannot say so."

Singapore is trying to secure that seat at the table. Its AI Singapore program has developed SEA-LION,

a large language model designed for Southeast Asia and used by regional companies including GoTo Group.

The government says it is narrowing the gap by bringing in technical talent and training workers in AI. A tech and AI track added to the Overseas Networks & Expertise Pass under Singapore's 2026 budget is expected to attract foreign specialists, alongside programmes to help industries adopt the technology.

"You bring in talent, you groom existing talent across sectors, and you make it quite fertile for people to adopt these use cases quickly," Alvin Tan, minister of state for trade and industry, said in an interview on Friday. Still, the question facing Singapore is ultimately about capability rather than participation: whether the country can develop enough people capable of building AI systems, rather than simply train workers to use them, Teo said.

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## Opec oil output rose ahead of Iran war, shows survey

**Bloomberg**  
London

Opec's crude oil production climbed last month as group leader Saudi Arabia bolstered production amid rising regional tensions, a Bloomberg survey showed. Output from the Organisation of the Petroleum Exporting Countries increased by 640,000 barrels a day, the biggest hike since June, with the Saudis accounting for about half of the addition, according to the survey. The 12 members collectively pumped 29.52mn barrels a day. Tanker tracking data has shown that Riyadh and other producers around the Gulf ramped up exports in the weeks leading up to the joint US-Israeli attack on Iran, which has thrown the region into chaos and effectively halted tanker flows through the vital Strait of Hormuz. Since then, oil prices have surged to trade near \$100 a barrel in London. While key nations from the Opec+ alliance had agreed to freeze production during the first quarter, the prospect of a looming conflict may have shifted their calculations. Last month's output increase resembles a surge the kingdom and some other Gulf producers made before the US

attacked Iran's nuclear facilities last June. Saudi Arabia raised production by 340,000 barrels a day to 10.34mn a day in February, the survey showed. Riyadh notified Opec of an even bigger boost, of about 782,000 barrels a day, according to a report published by the group's secretariat on Wednesday. Still, the increases have done little to cushion a market that has now lost access to flows coming through Hormuz. The suspension of tanker shipments via the strait has forced Gulf countries to shutter output. Countries that rely on the corridor — including Saudi Arabia, the United Arab Emirates and Iraq — have halted 8mn barrels a day of crude production, and a further 2mn of condensate and natural gas liquids, according to the International Energy Agency. To alleviate the supply shock, IEA nations — which include the US, Japan and Germany — agreed this week to release an unprecedented 400mn barrels from emergency oil reserves. Bloomberg's production survey is based on ship-tracking data, information from officials and estimates from consultants Rapidan Energy Group, FGE NexantECA, Kpler and Rystad Energy.

## Canada's labour market dips sharply in February, unemployment rate up

**Reuters**  
Ottawa

Canada's economy unexpectedly lost a net 83,900 jobs in February, while the unemployment rate rose to 6.7% as job losses occurred across both the services and goods sectors, Statistics Canada data showed on Friday, as US tariffs weighed on the economy.

A drop in the number of jobs this steep was last observed almost 17 years ago if the months of lockdown during the pandemic are excluded, StatsCan said.

The result missed analysts' expectations of a job gain of 10,000 and an unemployment rate of 6.6%.

In the previous month, the economy lost 24,800 jobs and the jobless rate was at a 16-month low of 6.5%.

"No sense sugar-coating this one - this is simply a brutal result," Doug Porter, chief economist with BMO Capital Markets wrote in a note. "The underlying story so far in 2026 is one of weakness.... And now the economy has to contend with higher energy costs flowing from the Iran conflict."

Canada's labour market has failed to add any substantial jobs in the last few months as economic growth sputtered owing to a range of tariffs from US President Donald Trump across critical sectors such as steel, autos, lumber and copper.

While the knock-on effects from these sectors have largely been contained, the Bank of Canada and economists have warned of more job losses as companies hold back investments and announce layoffs.

With the job losses of January and February, the economy has shed a total of 109,000 jobs, coming close to offsetting the massive gains of 189,000 jobs seen between September and December.

Unemployment among youth, which is usually higher than among the core-aged people between 25 and 54 years, rose to 14.1% in February, StatsCan said.

February's overall drop was led by 108,400 jobs lost among full-time workers in February and 72,600 jobs lost in the private sector. Government jobs also declined by 17,100 last month.

Canada and the United States are engaged in bilateral talks to reduce the impact of tariffs and for the review of a three-nation free trade pact also involving Mexico before July 1.

The BoC has warned if the

trade pact is not extended, it could trigger a recession in Canada.

In a blow to BoC's efforts to keep inflation low, the average hourly wages of permanent employees - a gauge closely tracked by Canada to determine inflationary trends - rose 4.2% in their sharpest increase since October 2024, after a 3.3% rise in January.

Goods-producing sector, which comprises some of the top sub-sectors highly exposed to the US tariffs, lost 27,900 jobs, while the usually resilient services sector posted a bigger decline of 56,200 jobs, StatsCan said.

The Canadian dollar weakened 0.4% to C\$1.3693 against the US dollar, or 73.03 US cents. Yields on the two-year government bonds were down 4.7 basis points to 2.621%.

## US consumer spending, core inflation firmer before war

**Reuters**  
Washington

US consumer spending rose solidly in January and underlying inflation maintained a strong pace of increase, which together with the dragging war in the Middle East strengthened economists' views that the Federal Reserve would not resume cutting interest rates before September.

Despite the slightly larger-than-expected increase in spending, other data from the Commerce Department on Friday were downbeat. Non-defense capital goods orders excluding aircraft, a closely watched proxy for business spending, were unchanged in January and economic growth slowed at a sharper pace than initially thought in the fourth quarter.

Following in the wake of unexpected job losses in February, the reports put stagflation on the radar, complicating the US central bank's job.

"We now see a steep rise in inflation and weaker economic activity in the second quarter due to the spike in gasoline and energy prices, weaker exports as the rest of the world reels from the disruptions, and an erosion in business confidence," said Kathy Bostjancic, chief economist at Nationwide.

Consumer spending, which accounts for more than two-thirds of economic activity, rose 0.4% in January after increasing by the same margin in December, the Commerce Department's Bureau of Economic Analysis said. Economists polled by Reuters had forecast consumer spending advancing 0.3%.

The BEA is still catching up on data releases following delays caused by last year's government shutdown. The longest-ever shutdown, which weighed on government spending, combined with a moderation in consumer spending late last year and a slower pace of



Shoppers wait in line at the cash counters at a grocery store in Lenexa, Kansas. US consumer spending rose solidly in January and underlying inflation maintained a strong pace of increase, which together with the dragging war in the Middle East strengthened economists' views that the Federal Reserve would not resume cutting interest rates before September.

business investment to hold back gross domestic product growth to an annualised 0.7% rate in the fourth quarter. GDP growth was previously estimated to have increased at a 1.4% pace. The economy grew at a 4.4% rate in the third quarter.

Consumption could take a hit from the US-Israeli war against Iran, which has boosted oil prices. Retail gasoline prices have soared more than 20% to \$3.60 per gallon since the conflict started, data from motorist advocacy group AAA showed.

The war is also causing volatility on the stock market, with economists warning of wealth reduction among higher-income households that could force some to cut back on spending. High-income households are the main drivers of consumer spending and the overall economy. Lower-income households have already scaled back as tariffs on imports

raised prices for goods. Economists expected the drag on the economy would be felt in the second quarter. Inflation was already elevated before the war. The Personal Consumption Expenditures (PCE) price index increased 0.3% in January after rising 0.4% in December, the BEA said.

In the 12 months through January, PCE inflation advanced 2.8% after rising 2.9% in December. Excluding the volatile food and energy components, the PCE price index rose 0.4% after a similar gain in December and in line with economists' expectations. Core PCE inflation climbed 3.1% year-on-year, the largest gain since March 2024, after rising 3.0% in December.

The Fed tracks the PCE inflation measures for its 2% target. The central bank is expected to keep its benchmark overnight interest rate in the 3.50%-3.75% range next Wednesday. Economists see the window for rate cuts closing,

with financial markets anticipating a single reduction this year in September.

A separate report from the Commerce Department's Census Bureau showed core capital goods orders were unchanged in January after increasing 0.8% in December. Economists had forecast orders for these rising 0.5%. Shipments of core capital goods fell 0.1% after increasing 1.0% in December.

Business spending on equipment could pick up amid increased spending on artificial intelligence and the construction of data centers. The government reported on Thursday that imports of capital goods rose to a record high, driven by computers and telecommunications equipment.

Business spending on AI and data centre construction is helping to support some segments of manufacturing, which has been constrained by import tariffs.

## Middle East war plunges Germany's energy-hungry industry into crisis

**AFP**  
Frankfurt

Germany's energy-hungry industries are sounding the alarm about the devastating impacts of the Middle East war as companies battle problems from surging power costs to snarled supply chains.

From chemicals to steel and cement, Europe's biggest economy is a major producer of industrial goods that require huge quantities of power to make, and Germany imports much of its energy.

The price jumps triggered by the conflict and closure of key energy route the Strait of Hormuz, which has pushed oil above \$100, is a hammer blow to traditional manufacturers who were already struggling.

Adding to the problems is chaos in global supply chains, which industry groups warn is leading to bottlenecks for vital basic inputs for manufacturing.

"Our companies are currently operating in absolute crisis mode," said Wolfgang Grosse-Entrup, chief executive of the VCI association representing chemical firms, one of Germany's main industrial sectors.

"The signals we are receiving, particularly from small and medium-sized enterprises, are in some cases dramatic," he said, adding that the "longer the war lasts, the more severe the consequences will be".

With the war, that began with US-Israeli strikes on Iran, approaching the end of its second week, the signs of strain are clear among German firms.

SKW Piesteritz, a maker of agricultural chemicals in the eastern state of Saxony-Anhalt, has had to reduce production of nitrogen-based fertiliser due to price rises for gas, a key input.

This is despite stronger demand due to fertiliser shortages

globally caused by the closure of the Strait of Hormuz.

"These price jumps are threatening for SKW Piesteritz if the prices for the main raw material cannot be passed on to customers," managing director Carsten Franke told AFP.

"We are currently seeing what happens when we fail to protect our own basic chemicals industry in Germany."

While some larger businesses stress it is too early to assess the fallout, they were clear that a drawn-out conflict and persistently higher energy costs would be very bad news.

Industrial giant Thyssenkrupp's steel-making business, already in dire straits due to fierce Asian competition, said in a statement to AFP that a "permanently higher gas price would have an impact on production costs".

Heidelberg Materials, one of the world's top cement makers, gave a similar warning.

"A sustained rise in electricity prices would have significant consequences for the costs of cement production, particularly in Europe," a company spokesman told AFP, while noting the impact for this year would likely be limited due to long-term power contracts.

For Seifert Logistics, which transports goods by truck, the impact has been more immediate, with its diesel costs soaring 50 percent since the outbreak of the war.

CEO Axel Frey told AFP that rising prices are usually passed on to customers but this can often take several months.

"In recent days, we have been on the phone with customers around the clock to adjust prices more quickly," he told AFP, adding however that the firm had faced such situations before and predicted it would weather the storm.

## AT1 hoarding is shielding market from a global risk sell-off

**Bloomberg**  
New York

Investors are hanging onto Additional Tier 1 (AT1) bonds for fear of missing out on getting hold of them again, enabling this risky bank debt to dodge the worst of the selloff seen across financial markets since the war in Iran. AT1s have historically been ditched by money managers when markets come under severe stress. But that's changed this time around, since the \$280bn asset class has become increasingly popular in recent years, with high yields attracting a flood of new buyers.

"If you sell the AT1s I hold then you will never be able to buy them again," said Richard Hodges, who manages Nomura Asset Management's Global Dynamic Bond Fund. He holds AT1s with high reset spreads, which tend to be more in demand and therefore less volatile.

Fatima Luis, senior portfolio manager at Mirabaud Asset

Management, is also holding onto AT1s. That's "partly due to the difficulty to trade on Trump headlines and also being quite comfortable with the long term credit risk," she said. "Bid-offer spreads would make it difficult to go back at a decent price." Overall, that means selling pressure in AT1s has remained relatively contained since the start of the conflict in the Middle East. The perpetual securities issued by banks have barely featured among the 1,000 most-heavily traded bonds in the US dollar market since the start of the war, based on Trace data compiled by Bloomberg. Investors are keen to keep their AT1s after the bonds became one of the hottest corners of the credit market in recent years. They've notched double-digit returns in each of the last two years — a remarkable turnaround since the wipeout of more than \$17bn in Credit Suisse bonds in 2023.

Returns have been dented by the outbreak of the war. A multi-currency Bloomberg index



of AT1s is down 1.6% on a US dollar-hedged basis this month. Still, they're outperforming a gauge of global investment-grade bonds and total return losses remain a fraction of those recorded when US President Donald Trump announced his global tariff regime last April. The market is also being supported

by a relative scarcity of supply, with a lack of sales in recent weeks. For funds looking for high yields, AT1s are a sweet spot. Risks including skipped coupon payments and the danger that a bond is left outstanding mean that they offer yields much closer to junk than high-grade bonds. For investors those risks are worth

taking — especially because AT1s are sold by the world's largest and most capitalized banks, making defaults unlikely. The long streak of gains experienced by the market had pushed spreads to near record-low levels before the conflict broke out. Given that bred concerns about an overheated market, there are some investors now jumping ship.

Swiss private bank Union Bancaire Privee UBP SA said last week that it was reducing its exposure to AT1s "as a precaution."

The record-low spreads have left the asset class looking more susceptible to a repricing if volatility increases, even if the ultimate impact on European banks from the war is negligible, it said. And individual banks' risky debt is vulnerable to company-specific concerns. Spreads in Deutsche Bank AG's AT1 bonds have widened in recent days as the lender flagged a \$30bn exposure to private credit, an asset class grappling with fund redemptions. If heavier selling of AT1s does

emerge, that could be "a sign of broader derisking in the market," according to Raphael Thuin, head of capital markets strategies at Paris-based Tikehau Capital SCA. Still, so far the market action has been orderly, he said. Even AT1 bonds from Gulf banks, close to the conflict given Iran's attacks across the region, have held up relatively well.

That's been helped by explicit and implicit state support for financial institutions. Gulf banks have ramped up AT1 issuance in recent years, with lenders in Saudi Arabia particularly active as the kingdom grapples with the mammoth spending demands of huge building projects and events like the football World Cup in 2034.

"The role of the financial companies in the Gulf region is very important both for the sovereigns as well as corporate debt," said James Wilson, an emerging markets strategist at ING Groep NV. "It's a closely interlinked system and the return profile is dominated by this dynamic."