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Wall Street's favourite emerging market bet falters as war rages

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COMMERCIAL BANK

Qatar seen to offer fertile ground for robotics, automation

By Peter Alagos
Business Editor

Qatar's openness to robotics and automation technologies positions the country at the forefront of innovation in the region, a top executive of a major regional hyper-market group has said.

Qatar's labour market dynamics make it easier to integrate automation compared to other countries, according to Dr Mohamed Althaf, LuLu Group Global director.

"In many countries, introducing automation raises concerns about the displacement of workers. Qatar does not face that challenge in the same way. The country has the resources and flexibility to adopt advanced technologies without creating social pressures," Dr Althaf explained to *Gulf Times*.

Citing extreme weather conditions as an example, Dr Althaf noted that robotics could provide tailored solutions tailored to Qatar's unique environment. "Robotics can help overcome these limitations and ensure continuity in operations. This is why Qatar is well placed to serve as a launching pad

for such technologies," he pointed out.

According to Dr Althaf, Qatar's compact geography is an advantage for testing and scaling disruptive technologies. He said, "Cutting-edge innovation often emerges from smaller, agile economies. Places like Hong Kong, Singapore, and Malta have shown how compact markets can nurture new ideas; Qatar shares that advantage."

Dr Althaf encouraged technology firms to connect with local partners to expand their reach, emphasising that "Qatar welcomes technology." He stressed that companies that bring new solutions will find opportunities to scale in Qatar, especially by working with established players who can help them grow.

In early February, the Ministry of Communications and Information Technology (MCIT) noted in a statement that Qatar's national drive to build a competitive digital economy is reflected in initiatives, such as the Digital Agenda 2030, the TASMU Accelerator, and programmes like Scale Now, which supports startups in expanding locally and internationally.

At the Web Summit Qatar 2026, the MCIT

reported that nine strategic agreements were signed to attract high-growth tech companies, underscoring the country's commitment to innovation.

Similarly during the summit, the Qatar Research, Development and Innovation (QRDI) Council has supported local firms, such as Snoonu in launching robotics projects, including drones and autonomous vehicles to improve logistics efficiency. Meanwhile, private investment is flowing into the sector, with X2 Ventures backing Deus Robotics, an automation platform for warehouses aimed at reducing reliance on manual labour and supporting Qatar's broader digital transformation.

Industry experts have also highlighted Qatar's role in preparing the country's small and medium-sized enterprises (SMEs) for a digital future, with robotics and AI as key enablers.

This was highlighted after Qatar Chamber previously announced the upcoming ROBOTECH 26 exhibition in October, and is expected to showcase technologies in smart transportation, logistics, and food security.



Dr Mohamed Althaf, LuLu Group Global director.

Shockwave of war is rippling through the global economy

Bloomberg
New York

The global economy's first collective health check since war broke out in the Middle East will arrive in the form of business surveys from the US to the euro zone.

Every purchasing manager index for which Bloomberg collects estimates is anticipated to show a decline when initial numbers for March are released on Tuesday, according to the median forecast of economists.

Their outlooks point to a synchronized weakening across both manufacturing and services. Such results will offer an initial glimpse of the cumulative economic damage already racked up, three weeks after US and Israel attacked Iran.

The subsequent spike in energy prices, sparked by disruptions to regional shipping and production, and the consequent threat to global consumer prices, has prompted a spectrum of central-bank responses in the past few days. Among them, UK officials shelved easing plans, euro-zone peers adopted a tightening bias, and Australian policymakers went ahead with an increase in interest rates. After the Federal Reserve's signal that cuts in borrowing costs are still a long way off, investors negated bets on any such move this year.

"Front of mind is the impact of the war on inflation," Chris Williamson, chief business economist at S&P Global Market Intelligence, which compiles the indexes, said in a report.

"Central banks will also need to consider downturn risks from the war, meaning clues will also be sought from the PMIs for the impact on demand and business confidence."

The list of initial index readings scheduled for Tuesday ranges from Australia, Japan and India to the euro zone, UK and US.

Germany, Europe's biggest economy, will release its closely watched Ifo business expectations gauge the same day, with a slump to a 13-month low anticipated. Measures from France and Italy are due later in the week.

Also capturing the shifting outlook will be forecasts from the Paris-based OECD, the first such combined assessment since the outbreak of war. They may offer a foretaste of more comprehensive predictions that the International Monetary Fund releases in mid-April.

Capital Intelligence affirms QIB's long and short term foreign currency ratings

By Santhosh V Perumal
Business Reporter

Capital Intelligence (CI), a global credit rating agency, has affirmed Qatar Islamic Bank's (QIB) long-term foreign currency rating (LT FCR) and short-term foreign currency rating (ST FCR) at 'AA-' and 'A1+', respectively.

CI also affirmed QIB's standalone rating (BSR) and core financial strength (CFS) rating of 'a-', as well as the ESL (extraordinary support level) of high. The outlook on the LT FCR and BSR is "stable".

QIB's LT FCR is set three notches above the BSR to reflect the high likelihood of official extraordinary support, when needed, based on the government's strong track record of support for Qatari banks and its ownership in all Qatari banks.

QIB's BSR is based on a CFS rating of 'a-' and an OPERA (operating environment risk anchor) of 'bbb', reflecting Qatar's very strong external balances, including very high current account

surpluses, as well as increasing foreign exchange reserves and significantly declining external debt.

Gross government financing needs are very low and are expected to average just 0.6% of GDP (gross domestic product) in 2026-27. The government enjoys high expenditure flexibility, low domestic stability risks, and very high international liquidity.

The OPERA also factors in the substantial volume of state assets under the Qatar Investment Authority's management and Qatar's very large hydrocarbon reserves.

Although the dependence on hydrocarbon revenues remains high, these state assets are mainly gas-related rather than from oil, with supply and demand factors for gas probably granting lower revenue volatility than is the case with oil.

The CFS rating is supported by solid

asset quality, strong profitability at both operating and pre-tax levels, robust capitalisation, and good liquidity.

Non-financial supporting factors include a strong franchise and market position as the leading Islamic bank in Qatar (and as the second-largest bank in the system) and a strong and stable management team.

Highlighting that QIB's asset quality is "very good" (despite significant Stage 2 exposures), while credit loss absorption capacity is "strong"; CI said the non-performing financing (NPF) ratio has remained low over an extended period of time, and has exhibited rather less volatility than seen at some of its peers, remaining among the lowest in the sector.

Credit loss absorption capacity has been consistently strong, while the historic net NPF accretion rate has tended to be low, according to CI.

QIB's profitability is strong and earnings quality is good, with the bank again posting consistently good results, it said, adding profitability has been better than the sector average, supported by its broadly stable net financing margin and a low and still declining cost-to-income ratio, a function of high efficiency.

CI expects QIB to continue to post better-than-average pre-tax earnings metrics despite its risk-averse business model.

Finding that QIB has a good liquidity and funding profile; CI said it is largely funded by customer deposits, the bulk of which are diversified and relatively stable retail deposit balances.

The bank's dependence on foreign funding has been relatively low by Qatari banking sector standards and the proportion of non-deposit funding is lower than that of most of its peers.

QIB maintains robust liquidity buffers, with particularly strong liquidity metrics. Liquidity risk is considered low. QIB's capitalisation is solid by global standards and the quality of capital is good, according to CI.

Oil seen to rise further as war escalates

Oil prices look set to rise further on Monday, having closed before the weekend at their highest in nearly four years, after US and Iranian threats to target energy facilities, analysts said on Sunday, reports Reuters.

US President Donald Trump on Saturday threatened to "obliterate" Iran's power plants if Tehran did not fully reopen the Strait of Hormuz within 48 hours, a significant escalation barely a day after he talked about "winding down" the war, now in its fourth week.

Iran warned on Sunday it would attack US-linked infrastructure in the Gulf, if Trump carried out his threat.

On Friday, Brent futures for May settled up 3.26% at \$112.19 a barrel, the highest since July 2022.

"President Trump's threat has now placed a 48-hour ticking time bomb of elevated uncertainty over markets," said IG market analyst Tony Sycamore. If the ultimatum is not walked back, oil prices will spike on Monday, he said.

"It clearly means more escalation which means higher oil prices. Some are incorrectly thinking, however, that Iran may cave," said Amrita Sen, founder of Energy Aspects.

"Trump is trying to show he can out-escalate."

The closure of Hormuz resulted in a loss of a full four days of global supply – or some 440mn barrels – during the 22 days of the war so far.

China pledges more balanced trade, further opening of economy after record surplus

Reuters
Beijing

Chinese Premier Li Qiang pledged on Sunday to further open the country's economy to foreign firms and pursue more balanced trade with its global partners, after a year marked by trade friction and tariff wars with the US and European Union in particular.

China will import more high-quality foreign goods and work with all parties to promote optimised and balanced trade development and expand the global trade pie, Li told the China Development Forum in Beijing, according to state media.

The annual two-day forum, which concludes on Monday, allows Beijing to lay out its economic vision and investment opportunities to foreign

business leaders, Chinese officials, economists and academics. It comes after the world's second-biggest economy reported a record \$1.2tn trade surplus for 2025.

Challenges for Beijing are aplenty, including deflecting concerns from an increasing number of global capitals about China's trade practices and overcapacity, as well as their overreliance on key Chinese products.

While Li's speech did not appear to directly mention the surplus, his pledges indicate an awareness that the issue could disrupt international relations at a time when China has reached a temporary truce with the US on trade. US President Donald Trump last week postponed a trip to Beijing to meet with Chinese President Xi Jinping due to the Iran war, delaying an effort to ease

tensions between the world's two biggest economies.

In a separate speech at the forum, China's central bank governor Pan Gongsheng also sought to alleviate concerns surrounding the trade surplus.

"Analysing global economic imbalances requires looking not only at trade in goods but also services, and not only at the current account but also the financial account," Pan said, according to a transcript of his speech published by the People's Bank of China, adding that China is the country with the largest goods surplus but also the largest services deficit.

China has no need and no intention to gain trade competitive advantage through currency depreciation, Pan said.

China is working to reverse a decline in foreign direct investment, which

fell 5.7% year-on-year to just over 92bn yuan (\$13.36bn) in January, following a 9.5% drop over the course of 2025. In December, China added 200 sectors to a list of those eligible for foreign investment incentives, from tax breaks to preferential land use, with a focus on advanced manufacturing, modern services and green and high-tech sectors.

Li said foreign firms would be treated in the same way as domestic ones, allowing enterprises from all countries to develop with confidence and realise their ambitions in China.

In a separate meeting, Commerce Minister Wang Wentao told business leaders from a US pharmaceutical trade group and executives from five major multinational drug companies that China will strengthen intellectual property protection and improve policy transparency.



Chinese Premier Li Qiang is seen on a big screen live broadcasting his speech at the opening of the China Development Forum 2026 held at the Diaoyutai State Guesthouse in Beijing on Sunday.

Wall Street's favourite emerging market bet falters as war rages

Bloomberg
New York

Once a top pick among emerging-market investors, local-currency debt is quickly becoming a pain trade.

After months being boosted by a weaker dollar, slowing inflation and interest-rate cuts, the bonds have delivered a loss of more than 4.5% since the Iran war started. That's almost double the declines of its dollar peers. Just six out of 22 main EM currencies are up against the dollar this year, compared with 17 before the conflict broke out.

"EM local-currency bonds have, unsurprisingly, become the primary casualty of the current risk-off environment," said Thierry Larose, a portfolio manager at Vontobel Asset Management. "The sharp rise in oil and gas prices, which has recalibrated global inflation expectations, is driving heightened volatility in these assets."

In the past week, policymakers from Eastern Europe to Latin America have signaled they may need to keep rates elevated for longer, or even tighten further, to contain price pressures caused by higher energy costs. The Federal Reserve warned inflation risks may derail rate cuts, while a member of the European Central Bank said officials may need to consider hiking rates as soon as next month.

South African and Hungarian bonds have handed investors losses around 10% this month as their currencies led EM losses against the dollar, according to data compiled on a Bloomberg index. Local markets in Mexico and Indonesia are still searching for a bottom, according to Goldman Sachs strategists including Kamakshya Trivedi and Sunil Koul.

Larose is reducing exposure on so-called high-beta currencies in Latin America and emerging Europe, Middle East and Africa. Instead, he favors Asia, especially the South Korean won and Taiwanese dollar, noting that central banks in the region have stronger incentives and capacity to counter rising energy prices and are better positioned to defend their currencies.

At Invesco Ltd, Wim Vandenhoeck has been reducing risk and focusing on relative-value trades. He favors rates over currencies across the developing world, citing potential benefits from diversifica-



As oil prices remain high and the war drags on, traders are seen increasingly shifting focus beyond inflationary risks

tion flows. Central and Eastern Europe is "top of mind," said Vandenhoeck, co-head of emerging markets debt at the firm.

Brazil and Hungary have underperformed as investors who were anticipating rate cuts had to reposition. In Colombia, where traders had already priced in hikes, local bonds have beat peers with a gain of 3.6%.

Money markets are pricing in more than 60 basis points of hikes in emerging markets over the coming 12 months as of March 19, a drastic shift from the beginning of the month, when they priced in 25 basis points of rate cuts, according to UBS AG calculations.

Developing-world curves have priced in "probably more hikes than are likely to take place or are justified," Yacov Arnopolin, a senior emerging-markets portfolio manager at Pimco, said on Bloomberg TV. "We're just starting to see value in the long-end of curves in Brazil, South Africa and the Czech Republic," he added.

As oil prices remain high and the war drags on, traders will increasingly shift focus beyond inflationary risks. The likely hit to growth and the potential demand destruction are probably "not reflected yet," Arnopolin said.

Vontobel's Larose likes net oil exporters in Latin America and sees opportunities in "receiving real rates in Brazil and Argentina, as well as nominal rates in Colombia," he said.

The region is also drawing interest from Invesco. If markets stabilize, central banks in Brazil and Mexico are still likely to ease monetary policy, Vandenhoeck said. And in a global growth-shock scenario, the Fed would likely cut rates, creating room for a "multitude" of relative-value trade opportunities, with Latin America likely to produce more winners than Asia, he added.

Currencies from commodity exporters like the Brazilian real and Colombian peso have also helped fuel carry trade returns. With high rates as a buffer, they're among the few in the developing world still climbing against the dollar this year.

Still, the broader backdrop remains volatile. Sovereign and corporate dollar bonds in emerging markets have fallen at least 1.7% over the past three weeks. Sergey Dergachev, head of EM corporate debt at Union Investment Privatfonds GmbH, said the uncertainty has made it difficult to hedge risks. He's overweight Middle East and North African assets.

For now, investors should focus on managing short-term volatility without abandoning the medium-term opportunity in local markets, said Lupin Rahman, sovereign debt specialist and former EM portfolio manager at Pimco.

"Volatility is likely to persist in the near term as the asset class sees outflows of tourist money," she said. "Hedge the volatility, not exit the EM local story."

Bank of Korea's newly appointed chief pledges 'balanced' policy

Reuters
Seoul

South Korean economist Shin Hyun-song, best known for predicting the 2008 Global Financial Crisis, was named on Sunday to head the country's central bank, just as it faces economic pressures resulting from patchy domestic growth and the Iran war.

President Lee Jae Myung chose Shin — currently head of the economic department at the Bank for International Settlements (BIS), dubbed the central bank for the world's central banks — to replace Rhee Chang-yong as Bank of Korea (BoK) governor when his term ends on April 20.

In a statement released by the central bank, Shin said he would seek a "balanced" policy approach with inflation, growth and financial stability under consideration.

"Volatility in financial and foreign exchange markets, as well uncertainty over the economic outlook, heightened recently on rapid changes in the Middle East situation," Shin said.

Shin, who has an academic reputation defined by his consistent warnings against excessive borrowing, faces immediate challenges from Middle East-driven inflation and uneven growth.

"As seen in the recent Middle East situation, domestic and global economic conditions are not separate from each other, which will make his expertise stand out even more," a spokesperson at the presidential Blue House told a briefing. He takes over the top central bank job at a time when policymakers face a delicate balancing act between supporting growth and containing financial stability risks stemming from surging household debt and the Iran war.

Although high-tech sectors including the semiconductor industry are thriving,

recovery remains uneven as traditional sectors such as steel and petrochemicals struggle due to weak external demand.

The BoK in February left its benchmark interest rate unchanged at 2.50%, and signalled it is likely to keep rates steady until at least August this year.

Many of Shin's remarks in previous interviews were about the need for major policy efforts to deleverage amid surging household debt, to avoid the kind of financial crisis the country has seen in the past and also to curb red-hot property prices around Seoul.

"He can be seen more as a hawk than a dove, that's a broad understanding among economists largely because many of his papers have been focusing on the dangers of over-leveraging," an official who worked with Shin at the BIS said.

A finance ministry official said: "I don't think anybody in academia will dispute that he is arguably one of the most accomplished economists from South Korea. (He) Has humble character, and my experience when I visited the BIS was all positive as he arranged so many networking events for visiting Korean officials."

Shin, 66, faces a confirmation hearing in the National Assembly, but lawmakers do not have a veto over the president's nomination.

"If it's a supply shock, and certainly if it's a temporary one, these are the textbook examples where you should look through and not react with monetary policy," Shin said in a report last week. "It really depends on how long the conflict lasts and how long the rise in the oil price will be sustained."

Shin and Indian economist Raghuram Rajan presented warnings at a US Federal Reserve conference in August 2005, drawing a metaphor from the London Millennium Bridge to identify systemic vulnerabilities that would eventually trigger the global financial crisis.

Musk launches 'Terafab' project to make own AI chips

Elon Musk has announced a plan to make chips for artificial intelligence, robotics and data centers in space, in the latest bold project by the world's richest person, reports AFP.

The "Terafab", a manufacturing facility based near Austin, Texas, will aim to produce one terawatt of computing power per year, Musk said. A terawatt is equivalent to 1tn watts. That is slightly less than the total power generation capacity of the US, according to an industry group.

Musk said the project would be run jointly by his electric-vehicle firm Tesla and his rocket company SpaceX. He did not disclose the initial investment. Previous US media reports

have put the figure between \$20bn and \$25bn. Musk, who has no prior experience in semiconductors, said the Terafab was necessary because Tesla and SpaceX's demand for computing power was expected to far exceed that of global chip suppliers.

"We're very grateful to our existing supply chain, to Samsung, TSMC, Micron, and others... but there's a maximum rate at which they're comfortable expanding," Musk said. "That rate is much less than we would like... and we need the chips, so we're going to build the Terafab." An "advanced technology fab" in Austin will have the facilities to design, manufacture, test and improve each chip, Musk said.

Global fertiliser shock escalates as new supply risks emerge

Bloomberg
Washington

The war in the Middle East has created major disruptions to global supplies of nitrogen-based crop nutrients. Now a potentially bigger threat is emerging in another important part of the fertilizer market.

The focus since the conflict began has been on urea, a key nitrogen fertilizer used on corn. Prices for the nutrient have surged as the war blocks shipments through the Strait of Hormuz, sending farmers scrambling to procure supplies. What's been largely overlooked in the chaos is the risk to phosphate fertilizers — key for crops like soybeans, a cornerstone of food production.

The Middle East accounts for only about a fifth of global trade for three key phosphate products, according to The Fertilizer Institute. But almost half of the world's supply of sulfur — which is turned into sulfuric acid for

the processing of phosphate fertilizer — comes from countries in the Middle East vulnerable to disruptions in the Strait of Hormuz.

The effects along the supply chain could start to be "exponential" if the conflict continues for much longer, once producers work through existing sulfur and sulfuric acid reserves, said Andy Hemphill, who covers sulfuric acid markets for commodity pricing platform ICIS. That's bad news for the global food supply, which counts on phosphate to support the growth of everything from soybeans to potatoes. The conflict is already raising concerns over inflation and food security. It's also the latest threat to US farmers, who were already weathering years of high production costs. Nearly 80% of the US's phosphorus is applied to its soy and corn fields, which in turn are processed both into livestock feed and fuel. Even before the conflict, supplies of both phosphate and sulfur were already tight. Sulfur prices had surged to record highs, driven in

part by demand from the mining industry, which uses sulfuric acid to extract metals such as copper and nickel. Russian exports have been constrained by the war in Ukraine and an export ban, while China has curbed phosphate shipments to prioritize domestic use.

US policy has added further strain. Duties imposed in 2023 on Moroccan phosphate — still in place — and broader tariffs implemented last year by President Donald Trump have limited imports.

"Phosphate had plenty of problems of its own before the war started. This war has just made the bad situation worse," said Josh Linville, vice president for fertilizers at brokerage StoneX Group. "I would dare say it's almost in worse shape than what urea, nitrogen is in today."

Efforts were made to rebuild inventories, particularly of phosphates, after fertilizer was exempted from some tariffs last year, said Veronica Nigh,

chief economist at The Fertilizer Institute. But she said the real challenge is on sulfur supplies. The conflict in Israel had already raised sulfur prices so much that some phosphate production had shut down.

"Sulfur is used for a lot of things, and if we are in a situation where we are in a constrained supply situation, fertilizer may not be the first use case of that sulfur," Nigh said. "It could be a more prolonged problem."

Sulfur contracts in Tampa — a key US benchmark that is settled quarterly — reached a record price in late January, according to Bloomberg Green Markets data going back to 2012. New Orleans prices for diammonium phosphate, the world's most common phosphate fertilizer, are at a nearly four-month high. Fertilizer producers will be squeezed as competing buyers, particularly mining companies, will be able to pay more, said Faraz Ahmed, a director at Montage Commodities, a trading house

based in the United Arab Emirates. The impact to phosphate fertilizer prices could come as soon as April, when India typically steps up purchases for its domestic production — a move that could push the market in "panic mode," he said.

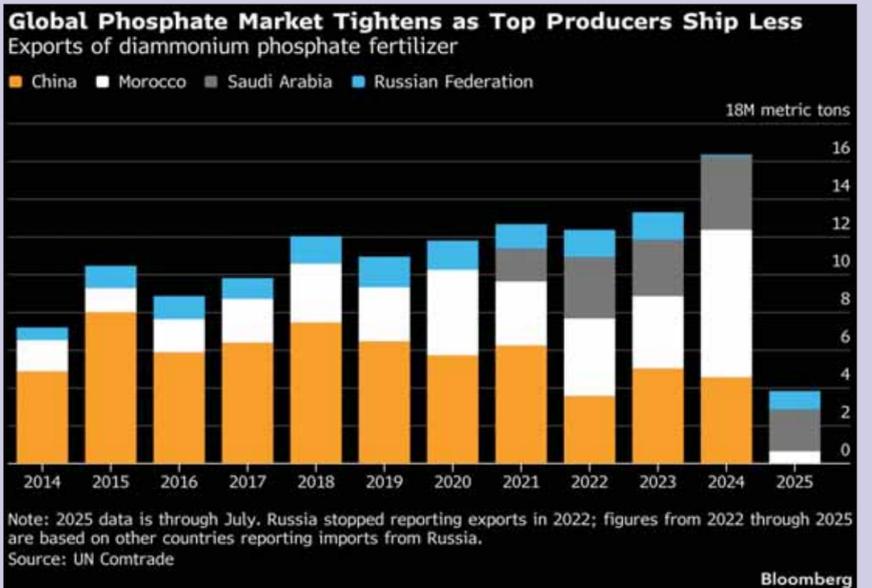
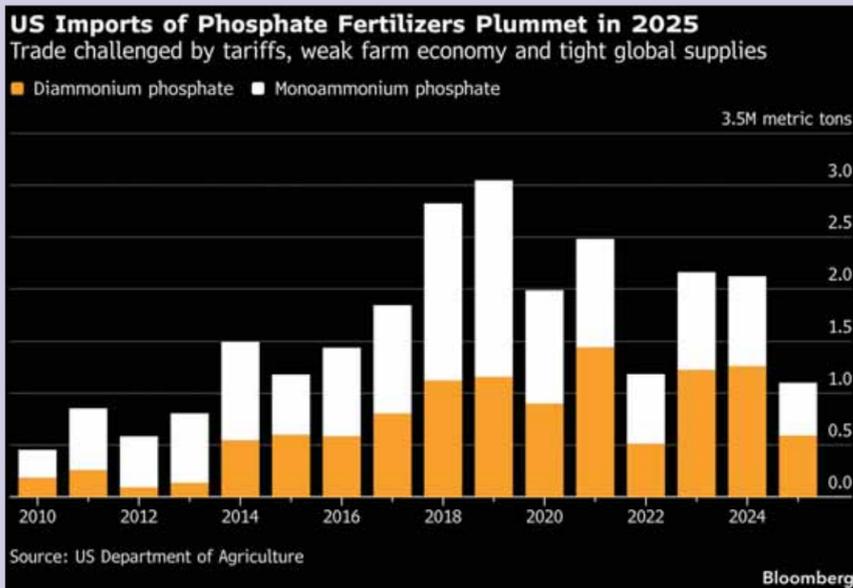
The situation is intensifying calls in the US for more stability in the markets. Farmers depend on three main families of fertilizer products: nitrogen, phosphate and potash. Only the latter, which is largely sourced from Canada and is applied alongside phosphate to soy crops, is largely insulated from the current global supply shock.

Farm groups are urging the government to suspend duties on fertilizer from Morocco, which holds the world's largest phosphate rock reserves, arguing that high prices and geopolitical risks have already reduced the need for protectionist measures. Those duties — put in place in 2021 after Florida-based Mosaic Co asked the Commerce Department for an investigation — are currently

under review. The American Farm Bureau Federation asked Trump to temporarily suspend such fees, while a coalition of the US's biggest farm groups last week asked fertilizer manufacturers Mosaic and JR Simplot Co to withdraw their support of the duties. The companies on March 17 sent letters to the Commerce Department saying they intended to participate in the agency's review.

Meanwhile, affordability is already curbing demand. David Delaney, chief executive officer of phosphate producer Itafos Inc, said he expected US phosphate use to fall about 20% in the 12 months ending in June. Supply constraints could push that decline further — especially if farmers plant more soybeans instead of corn to avoid high nitrogen costs.

"It's going to be tight through spring, through summer and through the fall," said Delaney. "Will there be enough to get through spring with a 20% cutback? Probably, but we end the season completely empty."



Trump planned for global dominance of Big Oil; then he went to war with Iran

Bloomberg
Houston

From capturing Venezuela's president to attacking Europe's methane rules, President Donald Trump had created a slipstream for his oil-industry backers to expand production of fossil fuels and boost profits. But his war against Iran, now entering its fourth week, is threatening to derail some of their longer-term plans, even as they benefit from the recent surge in crude and natural gas prices.

The conflict — which has killed more than 4,200 people across the Middle East — has all but halted tanker traffic through the vital Strait of Hormuz and curbed oil and gas output, causing chaos in a region energy executives had hoped Trump would help open up for foreign investment. Overseas expansion now carries heightened risk and higher costs — a development that will be front of mind for oil bosses as they gather in Houston for the annual CERAWEEK with S&P Global conference this week.

"There's going to be a security premium" baked into oil prices once the war in Iran is over, Dan Yergin, vice chairman of S&P Global and founder of the conference, said in an interview. "I don't think after this we're going to return to where we were before."

Until recently, Trump's aggressive foreign policy and support for fossil fuels — which included behind-the-scenes backing for US energy companies looking to expand overseas — appeared to benefit Big Oil.

His administration's efforts have helped companies including Exxon Mobil Corp, Chevron Corp and Shell Plc regain access to countries like Venezuela, Iraq and Libya, home to some of the world's biggest reserves. While many of these expansion plans are in their infancy, they have become priorities for oil executives looking to restock their portfolios at a time when US shale production growth is slowing and the International Energy Agency expects crude consumption to continue rising through 2050.

Since the war on Iran started, the Trump administration has had in-person meetings with executives from Exxon and Chevron to discuss ways to lower oil prices and ramp up supply, according to a White House official. Though the administration has moved forward with some of those options, including plans to release oil from US strategic reserves and temporarily waiving a century-old shipping mandate to lower transportation costs, others are not on the horizon.

Growth is a key strategic priority for Exxon. "We've had a clear view that global energy

demand is going to continue to grow and that oil and gas is going to continue to play a very significant role," Dan Ammann, Exxon's upstream president, said in an interview last month before the war in Iran. "The challenge is to grow in a capital-efficient way, in a responsible way and to do that in partnership with resource owners around the world."

But the spiraling conflict, which Trump says is crucial for long-term stability in the Middle East, throws these prospects into doubt with attacks on infrastructure and production shutdowns at some of the world's most important oil and gas fields in the Middle East. Though crude prices are up more than 50% since the war began, the market has been exceptionally volatile.

"Oil companies think in multidecade commitments but the risk is higher today than it was a few weeks ago," said Noah Barrett, a research analyst at Janus Henderson, which manages about \$493 bn. "Wild oscillations in price without a clear view of US strategy for the war doesn't give investors confidence."

So far, energy executives have said little publicly about how the war in Iran has shifted their plans. They may be wary of drawing Trump's ire. When Exxon CEO Darren Woods called Venezuela "uninvestable" in January, Trump responded by saying he was inclined to shut the oil giant out of the South American country altogether.

For much of the last 15 years the oil industry's focus has been on the US, where the explosion of output from shale basins made America the world's biggest producer and essentially energy independent for the first time since the 1950s. But with some of the best shale drilling locations already tapped out after years of breakneck growth, companies are beginning to look to new markets.

Trump has proved to be a key partner in this effort, despite a rocky start due to tariffs and the administration's fixation on low crude prices. The removal of Venezuelan strongman Nicolas Maduro creates a path toward opening up the world's largest oil reserves. The pushback against the European Union's move to curb methane, a powerful greenhouse gas, could remove a key hurdle to US natural gas exports. Financial and political backing are helping to take fracking global.

American officials actively supported Exxon and Chevron as they negotiated exploration licenses in major-producing Opec nations Iraq, Libya, Algeria, Azerbaijan and Kazakhstan over the past year. Just last month, Chevron signed preliminary agreements to negotiate with Iraq's national oil company about taking over the country's second-largest oil complex from Russian producer Lukoil PJSC after the Russian

producer was hit with sanctions — slapped on by Trump.

Boosted by rising oil and liquefied natural gas prices, energy is the best performing sector in the S&P 500 Index this year. Exxon, Chevron and Shell are trading at all-time highs after rising more than 25% this year, compared to the wider market's drop of about 4%.

But risks abound. Exxon and French oil major TotalEnergies SE have about 10% of their cash flow from operations exposed to curtailed production in the Middle East, according to analysts at TD Cowen. Qatar's Ras Laffan liquefied natural gas complex, in which Exxon is a joint-venture partner, has suffered extensive damage as a result of Iranian missile attacks that could take as long as five years to repair, QatarEnergy said on Thursday. Shell's gas-to-liquids plant in the same complex was also damaged.

And with OPEC's five largest members now affected by a conflict that is blocking transportation for 20% of the world's oil and LNG production, the stability and free-flowing trade needed for Big Oil to commit billions of dollars to new investments appear to be distant prospects.

The propensity of Trump to pressure companies to invest in difficult environments, like he did with Venezuela, further impedes long-term investment by making it more difficult for companies to invest based on market signals alone, according to Karen Young, a senior research scholar at Columbia University's Center on Global Energy Policy.

"It actually complicates the market logic, and the victory of capitalism," she said.

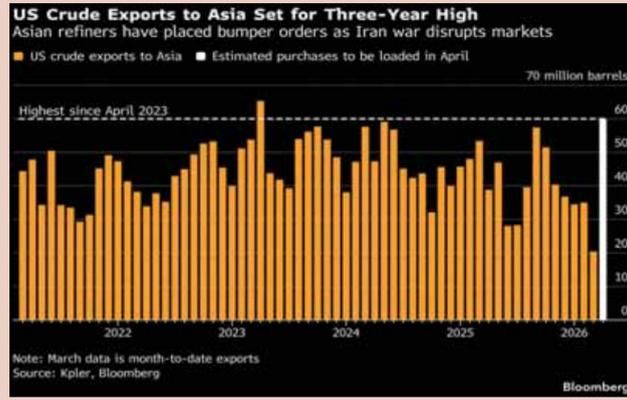
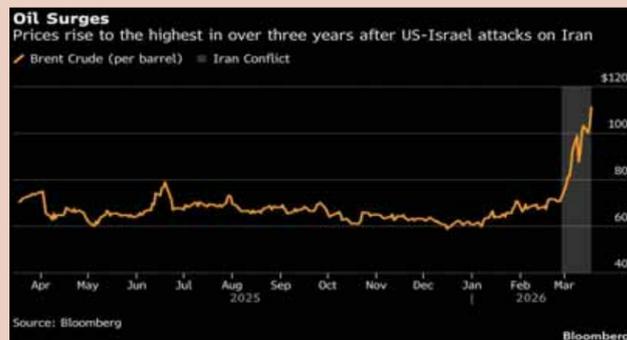
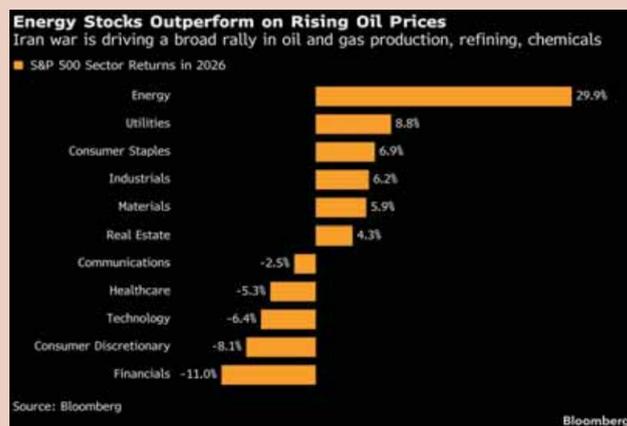
The war with Iran will be a major topic at CERAWEEK, where the heads of Shell, ConocoPhillips, Kuwait Petroleum Corp, and dozens of others are scheduled to speak. Energy Secretary Wright is among the first scheduled to present on Monday, followed by Chevron CEO Mike Wirth.

The White House, which maintains the Strait of Hormuz will be open soon, has so far rejected the idea that its actions in Iran will hurt US energy interests over the long term.

"Ultimately the energy industry is going to benefit from the president's actions with respect to Iran, because Iran will no longer be controlling the Strait of Hormuz and restricting the free flow of energy," spokeswoman Karoline Leavitt said earlier this month.

But the longer Brent crude trades above \$100 a barrel as a result of the Strait's effective closure, the more concern investors will have over the security of supplies.

"There hasn't been a disruption of this scale of ferocity before," said Yergin of S&P Global. "The question is who pays: producers, consumers or governments?"



Bloomberg QuickTake Q&A

How the Iran war is disrupting global oil and gas supply

By Paul Burkhardt, Julian Lee, Elena Mazneva and Anthony Di Paola

Oil and gas markets have been rocked by disruption to supply out of the Arabian Gulf. Prices of both commodities have jumped since the US and Israel began their strikes on Iran.

Iran has all but blocked shipments through the Strait of Hormuz — a narrow waterway that handles around a quarter of global seaborne oil trade and a fifth of liquefied natural gas supply. It's also targeted energy infrastructure across the Gulf, and launched an intense wave of attacks after its own South Pars gas field was struck by Israel. Damage to the region's oil and gas assets means exports could take longer to return to normal even once the Strait of Hormuz reopens. A significant chunk of Qatar's LNG production facilities face a years-long recovery from missile strikes.

How is the war affecting Gulf oil exports?

The Strait of Hormuz is a choke point for the bulk of oil exports from countries around the Arabian Gulf. Iran has effectively closed the waterway by sporadically targeting

ships in the region, deterring vessels from attempting crossings.

Gulf oil producers have reduced their output as storage fills up onshore and in tankers at sea. They've cut production by at least 10mn barrels a day, according to the International Energy Agency, equivalent to more than half the crude that normally transits through Hormuz.

While Saudi Arabia, the United Arab Emirates and Iraq have ways of bypassing the strait, these routes can't match normal export volumes. Saudi Arabia, the region's top producer, is sending more oil through a pipeline that runs to the Red Sea port of Yanbu. This carries its own risks if the Iran-backed Houthi militants resume attacks on vessels in the Red Sea. Iran itself could strike Yanbu, having already targeted a refinery in the area.

Iran has continued to ship its oil through Hormuz at near pre-war levels. Its main export operations on Kharg Island are vulnerable to attack, although the US spared the oil infrastructure in its recent bombing of the island. Iran typically accounts for around 3% of global oil output, and about 90% of its exports go to China, largely to independent refiners who are willing to buy the sanctioned crude at a steep discount.

How are the US and oil importers reacting to the disruption?

Almost 90% of the crude and condensate transported through the Strait of Hormuz last year went to Asia. As Gulf oil supply is squeezed, buyers in Asia have turned to US barrels. Russian crude is also being snapped up, in particular by Indian refiners, after the Trump administration temporarily eased sanctions on cargoes already at sea. US Treasury Secretary Scott Bessent has said that sanctions on seaborne Iranian barrels could also be lifted.

To try to contain the spike in oil prices, IEA members agreed to release more than 400mn barrels of crude and oil products into the market from their emergency reserves. These barrels won't hit the market at once, and will likely only cover a portion of Gulf supply that's being lost each day.

A resumption of shipments through the Strait of Hormuz is key. The US call for a multinational naval effort to escort commercial ships through the waterway received a chilly response.

Are there impacts for oil beyond crude?

The supply of refined petroleum products

has been disrupted as well, increasing the price of diesel, gasoline, jet fuel, shipping fuel, naphtha — used to make plastics and road fuel — and more. Voters paying more at the pump could add to domestic pressures for Trump and his Republican Party, as affordability is set to be a key issue in the midterm elections later this year.

In Asia, which is particularly reliant on Gulf oil and petroleum products, suppliers of shipping fuel to cooking gas are cutting back on sales to manage shrinking stockpiles, while governments are taking steps to help consumers with costs and conserve fuel. China has told its largest oil refiners to suspend exports of diesel and gasoline, according to people familiar with the matter.

How is the war impacting the gas market?

The global surplus of gas that was expected from this year has likely been erased. QatarEnergy said that around 17% of the country's LNG export capacity has been knocked out by Iranian missile strikes, and that repairs could take up to five years. Qatar was the world's second-largest LNG producer last year after the US.

Most of the Middle East's LNG exports go to Asia. The hit to Gulf supply has increased

competition for the super-chilled fuel produced elsewhere, pushing up prices worldwide. That's bad news for Europe, which is exiting the colder months with unusually low levels of gas in storage and could have to pay more to replenish its inventories before next winter. There are concerns that the region could face a protracted energy shock.

The Israeli strike on Iran's South Pars gas field could add to the global competition for LNG. Turkey imports more than 10% of its gas from Iran and could need more spot LNG cargoes to replace any lost volumes.

Pressures on LNG supply are being felt across sectors, including power generation, where some countries in Asia are pivoting toward coal to bridge the gap, and agriculture, as natural gas is a key input for fertilizers.

US LNG producers stand to benefit from the current turmoil and any lingering concerns about the vulnerability of supplies once the war is over. The gains will likely be limited in the short term as American export terminals are operating near full capacity. New US LNG facilities set to start this year can only partially replace Qatari gas, so some consumers may have to cut their usage or find substitutes — if they can.

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Options market reverts to 2022 playbook for Iran war risks

Bloomberg
New York

Investors are looking back at 2022 for clues on how the risk from the Iran war unfolds across equity markets. The key concern: an inflation shock that lifts correlations within stock indexes and spurs an extended period of higher volatility.

The spike in oil and natural gas is rippling through supply chains, threatening to raise prices not just for gasoline but for a wide range of goods and services. That's shifted traders' attention away from single stocks, as macroeconomic worries begin to outweigh more granular themes such as artificial intelligence. This, in turn, has narrowed the volatility premium for individual shares versus the wider S&P 500 Index and shrunk trading volumes.

While the VIX has been more sensitive to drops in the S&P 500, the overall realized moves at the index level have remained muted compared with past crises. The volatility gauge hasn't closed above 30 points this year, after spending two weeks above that level during the tariff turmoil of last April.

In 2022, the VIX surpassed 30 points periodically following Russia's invasion of Ukraine and averaged 25.64, more than 6 points above this year's mean. The

S&P 500 fell 19% that year as the Federal Reserve hiked rates multiple times.

"Investors are looking to the 2022 playbook for clues on how the current situation in Iran plays out for markets," said UBS Group AG derivatives strategist Kieran Diamond. "The risk is an inflation shock, which could drive higher correlations within equity markets, and potentially switch the index volatility regime from fast VIX rises and reversals to one where the VIX floor rises and volatility is sustainably higher."

At the same time, the Cboe Skew Index of market stress has calmed in recent days, possibly because of the unwinding of hedges as investors became disillusioned with vanilla index puts, according to UBS strategists. The low level of realized volatility to the downside since the Middle East escalation may have also caused a general re-pricing of the skew curve.

While some discretionary traders have leaned into the short volatility trade via VIX put structures, the QIS space hasn't seen a material shift in investor behavior, according to Michele Cancelli, global head of structuring for the multi-asset group at Citigroup Inc and global head of QIS trading and structuring.

"Despite the elevated volatility risk premium in SPX, there's little evidence of a rush into the short volatility trade," he said. "We're likely not far enough through the Iran-driven volatility window for investors to have conviction in monetizing it."

Low realized volatility for the S&P 500 is at odds with the positioning of options dealers. Consensus has emerged among most derivatives strategists that dealers were short gamma heading into the quarterly expiry date. Realized volatility is notably higher intraday versus close-to-close, which may potentially be where dealer gamma is having the greater market impact. Meanwhile, the broader market micro-structure does not appear to have changed all that much: There's still significant call overwriting at the index level, as well as one-day-to-expiry condors being sold on an ongoing basis.

However, the bleeding out of index hedges — whether outright S&P 500 puts or trades like long VIX calls — doesn't take away the risk-reward from such positions if the market does crack. Furthermore, some investors still see the value in leaning against popular trades such as volatility dispersion.

"We see better opportunities right now from being long index volatility and long intra-index correlation in terms of risk/reward," said David Elms, head of diversified alternatives at Janus Henderson Group Plc. "Within that space, long correlation via reverse dispersion is interesting given the low levels of implied correlation and the floor to correlation being effectively zero." He noted that long convexity is also attractive given the carry cost is lower than historical norms, due to a flow imbalance.

The oil prices you see don't tell the market's real story

Bloomberg
London/New York

Three weeks into the Iran war, there's an ever-growing gap between the price of oil futures and supplies that determine costs for consumers in the real world.

The global Brent benchmark has jumped more than 50% to around \$112 a barrel as the near-complete closure of the Strait of Hormuz and attacks on Middle East energy facilities choke supplies. But the cost of almost every physical barrel is surging even more, as tight supplies boost prices of products that consumers actually use, like gasoline, diesel and jet fuel.

Refiners in Asia, the top consuming region, are buying cargoes from thousands of miles away at eye-watering premiums to Brent as they try and secure whatever supplies are available. Trucking companies are starting to feel the impact of higher fuel costs and some parts of the world are crimping purchases of fuels that power ships. With jet fuel prices above \$200 a barrel, major European airlines say passengers will have to bear the extra costs.

The disconnect between futures — which are underpinned by hundreds of billions of dollars of daily transactions — and physical oil is partly due to aggressive US attempts to keep a lid on prices, including through releasing emergency supplies. The reality is that the global economy is suffering from a bigger inflationary hit than futures suggest, something that's piling pressure on central bankers and the Trump administration before the November midterm elections.

"You look at the paper markets, they've entirely disconnected from the physical markets," said Jeff Currie, chief strategy officer of energy pathways at Carlyle Group Inc. "We're dealing with an enormous supply shock."

The price shock could get much worse. Wall Street giants Goldman Sachs Group Inc and Citigroup Inc last week said that if the conflict continues, futures could hit record highs in the coming weeks, surpassing \$147.50 set in 2008. It's unusual for physical and futures prices to remain far apart for long periods of time.



An oil tanker is seen at sunset anchored off the Fos-Lavera oil hub near Marseille, France. The global Brent benchmark has jumped more than 50% to around \$112 a barrel as the near-complete closure of the Strait of Hormuz and attacks on Middle East energy facilities choke supplies.

Those calls are being driven by what the International Energy Agency described as the biggest-ever oil supply disruption. Goldman has estimated that about 17mn barrels a day of oil flows through the Arabian Gulf are being affected by the conflict.

Brent neared \$120 twice in the last two weeks, a level not seen since 2022, putting pressure on Washington to calm the market.

On Thursday, Treasury Secretary Scott Bessent told Fox Business that just days after announcing one massive stockpile release, the US could consider another one, despite question marks over the viability of doing so logistically.

He then followed with comments that stunned already-exhausted oil

traders: The US might lift some sanctions on Iranian oil, despite being at war with Tehran. Traders around the world, who have had to approach Iran trades with the utmost caution for years, expressed exasperation with the news.

Other efforts to tame prices include the unsanctioning of Russian oil at sea, and there has been intense trader speculation that the US may be intervening in futures markets, something Bessent has denied. Soaring volatility has also limited the size of positions that traders can take, as it makes it more expensive to do so. While that has helped to keep a ceiling on futures, it's limited compared with the impact of the disruption in Hormuz.

"The US has almost exhausted the

arsenal for stopping prices from rising, given this degree of uncertainty, if the strait isn't opened and the uncertainty of physical damage isn't removed," Christof Ruhl, global advisor at Crystol Energy and a former BP Plc economist, said in a Bloomberg TV interview. "So there isn't much they can do."

The signs of stress are growing, too. Container shipping lines are adding fuel surcharges, and huge price swings in shipping fuel markets are causing some marine fuel buyers to hold off on large orders due to the price fluctuations.

In the US, retail gasoline prices are fast approaching \$4 a gallon and diesel prices have exceeded \$5. In Germany, a heating oil seller said people are only buying "when absolutely necessary" because of high prices, while airlines have canceled some flights as jet fuel soars.

"Movements in energy markets feed through to our cost base almost immediately," said Pavel Kveten, Chief Executive Officer at Girtelka Logistics, one of Europe's top trucking companies. Fuel makes up about 30% of the firm's transport costs, he said.

Highlighting the scramble for real-world barrels of crude, the Oman benchmark in the Middle East rose above \$162 a barrel this week. Murban crude from the United Arab Emirates topped \$145. As those prices soar, Asian buyers have scooped up the most American oil in three years, hunting for replacements for Middle Eastern flows that increasingly look like they'll be curtailed for longer.

For now, the war shows no signs of easing as the conflict is entering a fourth week. Iranian officials have become reluctant to even discuss reopening Hormuz as they focus on surviving the US-Israeli onslaught, a person involved in direct, high-level contacts with Tehran said on Friday.

"We see little relief for the deepening energy crisis as more energy facilities come under fire," RBC Capital Markets LLC analyst Helima Croft said in a note. "Administration officials have spent considerable man-hours working to convey to market participants that the disruption will be short-lived as the war will soon wind down. Yet nothing points to a limited engagement at this juncture."

Bond markets suffer total blowout amid inflation concerns

Bloomberg
New York

Bond traders are scrambling for a new strategy after the oil-driven inflation shock triggered by the war in Iran scuppered the popular bet on interest-rate cuts from the Federal Reserve.

The trade suffered a total blowout this week as warnings from key central banks on inflation sent short-maturity yields soaring, and as traders fully erased expectations for further Fed easing in 2026.

By Friday, with global benchmark oil prices holding around the highest since 2022, the sentiment had flipped to such a degree that at one point traders even saw a 50% chance of a Fed rate hike by October.

"As long as the war is in escalation mode and not de-escalation mode, the market will be more worried about inflation than growth, and reasonably so given recent history of supply shocks," said John Briggs, head of US rates strategy at Natixis North America.

"It is a good time to head for the sidelines to re-evaluate when the dust settles," he said.

Figuring out what to do next involves somehow trying to predict the trajectory of the war and oil and the impact on economic growth and inflation. That's a tall task with the hostilities showing little sign of easing, and US officials saying the White House is sending hundreds of Marines to the Middle East.

Briggs was among Wall Street strategists caught by surprise by the relentless bond selloff, which pushed Treasury yields to the highest in months. Two-year rates eclipsed 3.75% last week, the upper end of Fed officials' target range for overnight interest rates. They yielded about 3.89% on Friday — the highest since July on a closing basis.

Figuring out what to do next involves somehow trying to predict the trajectory of the war and oil and the impact on economic growth and inflation. That's a tall task with the hostilities showing little sign of easing, and US officials saying the White House is sending hundreds of Marines to the Middle East

Not since 2023, when the central bank was still lifting rates, has the two-year yield risen so much above the Fed's rate ceiling. On Friday, five-year yields surpassed 4% for the first time since July, while the 10-year reached 4.39%, the highest since August. With traders seeing Fed hikes as potentially in play, the dollar rose against most major counterparts.

Briggs closed several recommendations that he entered earlier this month on the view that a drawn-out conflict would weigh on the economy and keep Fed cuts on the table.

One was a bet that the yield premium on 10-year notes over the two-year maturity would widen, a stance known as a steepener. That trade backfired as inflation expectations rose along with oil, jolting short-term yields higher relative to longer-maturity rates. Even a profitable trade — a bet on rising inflation expectations — was unwound to lock in gains.

TD Securities, meanwhile, exited a trade betting on a wider yield gap between two- and 10-year UK gilts after it hit its loss limit.

Traders had piled into the steepener wager entering 2026 on the view that the Fed would lower rates this year to support the labor market. Even before the war broke out, the strategy was unraveling as officials signaled reluctance to ease further in the face of sticky inflation.

The conflict and oil's climb have hastened the unwinding. But a major catalyst that set up Thursday's final washout of rate-cut expectations came the day before, when Fed Chair Jerome Powell said officials needed to see progress on inflation before reducing rates further, and that they lacked clarity given the war.

Other Fed officials weighed in on Friday. Governor Christopher Waller said he's cautious about the impact on inflation from oil prices, though a weak job market may still call for easing this year. Separately, Vice Chair for Supervision Michelle Bowman said she still supports three cuts in 2026.

For some investors, the murky backdrop is a reason to step aside and see how long oil flows from the Middle East will be disrupted.

Powell's comment "reflects a lot of opinions going around the market," said Steven Williams, head of EMEA fixed income at Amova. "We're trying to neutralize exposure at present, given maximum uncertainty. We're just giving ourselves dry powder to take action once things seem a bit clearer."

Sinopec's full-year profit falls as fuel demand weakens

Bloomberg
Hong Kong

Sinopec reported a steeper-than-expected decline in profit for 2025 as faltering fuel demand and an over-saturated chemicals market sapped margins. China's biggest oil refiner saw full-year net income fall 34% to 32.5bn yuan (\$4.7bn), according to an exchange filing on Sunday. The company, officially known as China Petroleum & Chemical Corp, recorded a profit of 49bn yuan in 2024. The slump reflects the company's operational challenges as China powers ahead with a renewables energy push. Retail sales of petroleum and related products fell 5.7% nationwide last year, with the government pushing refiners to produce less fuel and more petrochemicals and the country's electric-vehicle boom weighing on consumption of diesel and gasoline. The petrochemicals sector has homegrown problems, too, as a wave of new plants in China saturate the market and squeeze product margins. BloombergNEF expects global net ethylene and propylene additions in 2026 to reach a record 27.7mn metric tons a year — almost double the annual average in the period from 2020 to 2025.



The Iran war is exacerbating the situation for Sinopec, which now needs to manage historic volatility in the oil market after Tehran effectively shut down the key transport waterway for crude, the Strait of Hormuz

The Iran war is exacerbating the situation for Sinopec, which now needs to manage historic volatility in the oil market after Tehran effectively shut down the key transport waterway for crude, the Strait of Hormuz. Difficulty obtaining feedstock forced the company trim run rates 10% earlier this month.

While Sinopec expects demand for natural gas and chemicals to grow this year, it sees demand for refined oil weakening as a result of the rise of renewables and increasing uncertainty over global oil prices.

