SNAPPING LOSING STREAK | Page 4

European shares recover after Trump's comments spark de-escalation hopes

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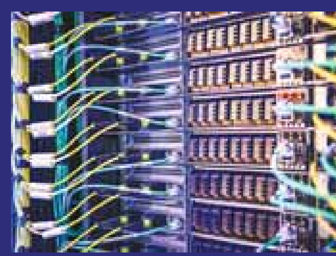


CHANGING TRENDS: Page 2

Private capital turns to old economy as software trade dims

Qatar, with greater fiscal flexibility, stronger execution capacity and an established record of infrastructure investment are better positioned to absorb repair costs, mobilise temporary supply and accelerate resilience spending, according to Moody's, a global credit rating agency

Qatar better positioned to absorb repair costs on greater fiscal flexibility

By Santhosh V Perumal
Business Reporter

Sovereigns, like Qatar, with greater fiscal flexibility, stronger execution capacity and an established record of infrastructure investment are better positioned to absorb repair costs, mobilise temporary supply and accelerate resilience spending, according to Moody's, a global credit rating agency.

"Those governments with the proven ability to develop and implement clearly articulated fiscal, monetary, economic and social policies are well-positioned to mobilise funding, reallocate spending and execute effective policy measures when shocks occur," Moody's said in report 'Desalination disruption could trigger cascading credit effects in Gulf countries'.

Highlighting that desalination dependence among the Gulf Co-operation Council (GCC) countries is often framed as a water scarcity issue; the rating agency said the conflict in the Middle East has brought this long-standing structural vulnerability into sharper focus.

Stressing that storage, operational flexibility and state capacity can mitigate credit risk; Moody's said Qatar, Saudi Arabia, the UAE and Kuwait are "generally better positioned" because of stronger state capacity and robust fiscal buffers, as well as more effective policy execution in the UAE and Saudi Arabia.

The World Resource Institute cites Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE as being among the countries facing extremely high water stress, with the GCC countries accounting for nearly half of the world's desalination output.

The report said Qatar's strategic reservoir programme was designed to provide about seven days of potable-water storage, while Saudi Arabia has articulated a seven-day strategic target by 2030.

"This suggests that storage can materially strengthen resilience, but buffers are most informative when assessed relative to system size and the ability to restore or reallocate supply," it said.

Finding that the ability to execute and fund emergency measures varies among GCC sovereigns, as is reflected in their governance issuer profile scores and their category scores for policy credibility and effectiveness and budget management; it said Oman and Bahrain have moderate credit exposure to policy credibility and effectiveness risks, while the UAE, Saudi Arabia and Qatar all derive material credit benefits from their track record of implementing effective policy responses.

The UAE also derives a material credit benefit from its sound budget management practices; while Bahrain's persistently high off-budget spending leaves it with very high credit exposure to budget management risks, according to Moody's.

The GCC countries, which are located in one of the most water-scarce regions in the world, rely on desalination for most of their potable water. Much of their water production is concentrated in coastal plants and transmission systems with limited near-term substitutes at scale.

Coastal concentration increases credit risk exposure by tying water security to a relatively limited set of production, storage and transmission assets, it said.

Strategic industries would likely face the next layer of credit pressure through weaker operating continuity and higher contingency costs, it said, adding refining, petrochemicals, power generation, ports and other industrial users depend directly or indirectly on reliable water supply for cooling, processing and workforce continuity, while many desalination systems also rely on stable power inputs.

IEA discussing further oil stock releases: Birol

IEA prepared to release more oil 'if necessary'; Asia Pacific is at the forefront of the oil crisis; work from home and lower speed limits could conserve fuel; Australia's 30 days of diesel stock is 'solid', Birol says

Reuters
Perth/Sydney

The International Energy Agency (IEA) is consulting with governments in Asia and Europe on the release of more stockpiled oil "if necessary" due to the Iran war, Executive Director Fatih Birol said on Monday.

"If it is necessary, of course, we will do it. We look at the conditions, we will analyse, assess the markets and discuss with our member countries," Birol told the National Press Club in Canberra, at the start of a world tour.

IEA member nations agreed on March 11 to release a record 400mn barrels of oil from strategic stockpiles to combat the spike in global crude prices. The drawdown represented 20% of overall stocks.

There would not be a specific crude price level to trigger another release, Birol said. "A stock release will help to comfort the markets, but this is not the solution. It will only help to reduce the pain in the economy."

The IEA chief began his world tour in Canberra as the Asia Pacific is at the forefront of the oil crisis, he said, given its reliance on oil and other crucial products like fertiliser and helium transiting the Strait of Hormuz.

After meeting Australian Prime Minister Anthony Albanese, Birol will travel to Japan later this week before a Group of Seven meeting.

He described the crisis in the Middle East as "very severe" and worse than the two oil shocks of the 1970s, as well as the impact of the Russia-Ukraine war on gas, put together.

The war on Iran had taken 11mn barrels of oil per day from global supply, more than the two prior oil shocks combined.

"The single most important solution to this problem is opening the Hormuz Strait," he said.

"The depth of the problem was not well appreciated by the decision makers around the world," he said of his decision to begin speaking publicly three weeks into the war.

Stockpile drawdowns are only a portion of what the IEA could do, he said.

Measures outlined by the IEA, such as lowering speed limits or implementing work-from-home measures, had reduced energy use when implemented in Europe in 2022, but each nation would need to decide how best to enact fuel savings, Birol said.

He said that while Australia's liquid fuel holdings were lower than IEA regulations, the current government had done much to improve them and that 30 days of diesel was a "solid number".

International Energy Agency executive director Fatih Birol.

Fed official sees circumstances for rate hike

Bloomberg
Washington

Federal Reserve Bank of Chicago President Austan Goolsbee said he could envision the US central bank needing to raise interest rates, or returning to rate cuts, depending on how the war in the Middle East plays out.

"We could be back to the environment with multiple rate cuts for the year if inflation behaves," Goolsbee said Monday in a CNBC interview. "I could see circumstances where we would need to raise rates if it was going a different way, and inflation was getting out of control."

Fed officials kept interest rates unchanged last week, and continued to signal one rate cut this year despite uncertainty created by the Iran war. Since the meeting, investors have rushed to price in higher rates as inflation fears have built in financial markets, though Treasuries rallied Monday after President Donald Trump said he would postpone strikes on Iranian energy infrastructure.

Fed Chair Jerome Powell told reporters after last week's decision that rate hikes weren't the base case for a "vast majority" of officials. He added it was too soon to gauge the scope and duration of the conflict in the Middle East, and its impact on inflation and growth.

Federal Reserve Bank of Chicago president Austan Goolsbee.

Goolsbee, who does not hold a vote on rate decisions this year, said most economic indicators show the Fed is "closer to full employment than we are on the target on the inflation side, so at the moment, I think the inflation has got to be a little ahead of the employment" in the central bank's calculus.

The Chicago Fed chief highlighted the impact of higher gas prices on consumer expectations for inflation, which he said remain consistent with the central bank's 2% goal so far. An oil shock can hit economic growth while spurring inflation, which is the "most uncomfortable thing for a central bank to have to face" because "there's not an obvious playbook," he said.

Fed Governor Stephen Miran, speaking Monday on Bloomberg Television, acknowledged that oil prices that remain high and could eventually bleed into other goods and services, but rejected the notion that policymakers need to consider rate hikes.

"We should wait for all the information to come in before really changing our outlook," Miran said on Bloomberg Surveillance. "And I think it's just still premature to have a clear view about what this is going to look like as you look 12 months out."

Miran said he continued to expect four rate cuts this year.

US to commit $250mn towards supply chain investment fund

Bloomberg
New York

The US plans to contribute $250mn towards an investment consortium that would help fund projects aimed at strengthening supply chains for energy and critical minerals, according to a Trump administration official.

Under Secretary of State for Economic Affairs Jacob Helberg said on Monday that the US would administer the pool of money and seek as much as $1tn in commitments from sovereign wealth funds and institutional investors. Other participants would include SoftBank Group Corp, Temasek Holdings Pte and the Abu Dhabi-based Mubadala Investment Co wealth fund, he said.

A top priority for the consortium are investments that focus on preserving access to energy and rare earths for the US and its allies, Helberg said, especially "mineral security, logistics, and likely energy security infrastructure." He said the US and the institutional investors will be reviewing a list of projects.

"We're starting it as a coalition," Helberg said. "We're going to get together in a room, and we already have a list of projects that we're going to review, and we're going to talk about making joint investment decisions."

Representatives for Tokyo-based SoftBank, Singapore-based Temasek and Mubadala didn't immediately respond to requests for comment on the proposal.

The fund is part of a broader US-led supply-chain alliance known as Pax Silica, which has expanded to include energy infrastructure projects following the blockade of the Strait of Hormuz. "We want to avoid "single-points of failure," Helberg said, pointing at the ripple effects in energy markets since the start of the war with Iran. Deputy Energy Secretary James Danly will be leading the energy effort, Helberg said. The initiative seeks to address growing concerns about the fragility of the global supply chain exposed by the nearly month-long conflict.

Trump's Iran war oil shield is cracking

By Ron Bousso
London

US President Donald Trump went into the Iran war convinced that America's vast oil wealth would insulate the country from the kind of energy shock now battering much of the world. Four weeks into the conflict, that shield is looking fragile. Trump's wager has only partly paid off. US oil prices have risen less sharply than those elsewhere since US-Israeli air strikes against Iran on February 28 ignited a regional war that rapidly engulfed the Middle East's energy infrastructure, blocking the Strait of Hormuz and cutting off roughly a fifth of global oil and gas flows.

Brent crude, the global benchmark, has surged about 55% since late February to around $110 a barrel, while US West Texas Intermediate has climbed 50% to around $99. The divergence between the two benchmarks recently hit its highest in a decade, excluding a brief spike during the Covid-19 pandemic.

This gap reflects a structural shift in energy markets. The US is now the world's largest producer of oil and gas and exports more energy than it imports, thanks to the shale boom of the past 15 years.

While US refiners still import crude to optimise operations - including some Middle Eastern grades that accounted for roughly 4% of consumption last year - America's direct exposure to the Gulf is far smaller than that of Asia or Europe.

Asia is the most vulnerable region, relying on the Middle East for about 60% of its oil imports.

The sudden disruption forced oil refiners to cut run rates and governments to roll out fuel subsidies and conservation measures at enormous economic cost. Physical crude prices for imports into the region recently soared above $150 a barrel.

America's relative advantage, however, is eroding fast.

With Middle Eastern supplies constrained, buyers in Asia and Europe are increasingly turning to alternative sources - including the US - for crude oil, refined fuels and natural gas. That global scramble is pulling more US hydrocarbons into the international market and tightening supplies at home.

US crude exports are on track to hit a record 4.6mn barrels per day in March, according to analytics firm Kpler. Exports of refined products, mainly gasoline and diesel, are also expected to reach an all-time high of about 3.2mn bpd.

The lesson is blunt: in interconnected oil markets, domestic abundance does not buy immunity.

US gasoline pump prices have already jumped more than 30% this month and are likely to breach $4 a gallon within days, despite White House efforts to rein in prices.

US retail diesel prices crossed $5 a gallon for only the second time ever last week. Wholesale prices of the industrial fuel have surged roughly 70%, only slightly less than the near-80% rise seen in Europe, the world's largest diesel-importing region. Trump has brushed off the surge, calling it a "small price to pay" for the war's objectives. That confidence partly reflects the success of Washington's lightning-fast intervention in Venezuela earlier this year. The capture of President Nicolas Maduro and rapid change of leadership gave the US effective control over the country's vast oil resources - an extra cushion that has so far proven insufficient.

Whether seizing Iran's fossil fuel riches was an implicit goal of the current offensive is unknown. But the perception that America could absorb an energy shock without severe domestic consequences almost certainly informed the Trump administration's high-stakes military gamble in the world's most important energy hub.

That calculation now looks questionable. US shale producers, still scarred by years of boom-and-bust cycles, remain cautious about ramping up drilling despite higher prices. Labour shortages, supply-chain constraints and investor demands for capital discipline are restricting how quickly output can respond. Meanwhile, relief valves such as the release of inventories from strategic petroleum reserves are having only a limited impact. President Trump suggested on Friday the US was considering winding down the war, only to threaten the following day to "obliterate" Iran's power plants if Tehran did not fully reopen the Strait of Hormuz within 48 hours.

The longer the Iran war drags on, the more the burden will shift onto US consumers through higher fuel costs and rising inflation - with potentially serious political consequences in an election year.

When - or whether - the Strait of Hormuz fully reopens remains unclear. Britain, France and other allies are preparing a naval mission to help defend the waterway after a public spat with Trump, but they are unlikely to intervene decisively while fighting continues.

The reopening of Hormuz will almost certainly trigger a sharp drop in global oil prices. Middle Eastern producers will, however, need weeks to restart oilfields forced offline by the conflict. Refineries, export terminals and other infrastructure damaged in the attacks will take far longer to repair, leaving a persistent supply gap.

Once the shooting stops, the regional price divergence will likely widen, not narrow, as US supply chains from wellhead to refinery remain largely intact.

The war will also leave a lasting risk premium on Middle Eastern oil and gas - hitting hardest the economies most dependent on the region.

The idea that America's oil abundance can fully shield it from global energy shocks has been tested - and found wanting.

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

Private capital firms turn to old economy as software trade dims

Bloomberg
New York

Data cables plugged into server racks on the Supermicro pavilion. Private capital firms are starting to swap software systems for hard hats as the artificial intelligence boom forces the industry into a quick rethink of its priorities.

Private capital firms are starting to swap software systems for hard hats as the artificial intelligence boom forces the industry into a quick rethink of its priorities.

The likes of Blackstone Inc, Bain Capital and Brookfield Asset Management Ltd have all been talking of an increased focus on heavy assets with low obsolescence. This so-called HALO trade is targeting makers of everything from ship engines to conveyor belts that are considered less likely to be made extinct by AI.

"People are looking for terra firma," Blackstone President Jonathan Gray said in an interview. "There is a lot of interest across public and private markets in real, tangible assets – medical supplies, energy, real estate, industrials."

Some of the hottest deals in the European market right now underscore the shift. Private equity buyers are competing for Volkswagen AG's heavy diesel engine unit, there's a three-way battle shaping up for British aerospace supplier Senior Plc, and Advent and Cinven are discussing the sale of TK Elevator at a potential value of €25bn ($29bn).

Meanwhile, firms including Triton Partners, Warburg Pincus and Brookfield have been raising new funds to invest in industrial technologies, data centres and the once-unloved defence sector.

Anuj Ranjan, chief executive officer of Brookfield's private equity unit, said more capital was moving into industrials for two key reasons: A need to secure supply chains following the pandemic, and the potential for AI to transform the way things are made.

"Manufacturing is one of the least digitised sectors in the world," Ranjan said. "Industrial businesses may still look similar from the outside five years from now, but what they produce and how they produce it won't look or feel the same."

The HALO shift is coming at the expense of fresh bets on software, a sector that's benefited from more than $1tn of private equity investment over the last five years, according to data compiled by Bloomberg — roughly double what the industry has spent on industrials over the period.

The start of 2026 has brought a reckoning in the form of new AI tools from startups like Anthropic PBC that threaten the business models of many software-as-a-service companies sitting in private equity portfolios. It's suddenly led to fears of overexposure to the sector and potential write-downs on assets that become hard to sell.

A number of software exits by private equity firms have already stalled. These include EQT AB's sale of Thinkproject and TA Associates' disposal of Unit4, people familiar with the matter said, asking not to be identified discussing confidential information. Elsewhere, Hg has postponed an initial public offering of Visma, people with knowledge of the plans have said. Bain Capital partner Robin Marshall estimates that about 40% of assets held by buyout firms are exposed to software businesses. Concrete signs of how this will impact owners could emerge around the end of March, when firms perform scheduled mark-to-market exercises for the first quarter.

"There will be a challenge around where some of the marks are for the industry," said Marshall, who is co-head of global private equity at Bain Capital. "Sales that were going to happen in 2026 might then continue to be pushed out." Spokespeople for EQT and TA Associates declined to comment.

The HALO rotation is at play elsewhere in the private markets, where credit investors including Blue Owl Capital, Cliffwater LLC and KKR & Co have been feeling the strain because of some of the loans they've made to the software sector.

"The problem is that anyone who holds software, or SaaS assets, does not want to hear what the business is worth right now," said Igno van Waesberghe, managing partner at financial services-focused investment firm Aquiline Capital Partners.

This is impacting deals in the debt markets.

In recent months, German health-care software company Dedalus paused a €1.3bn leveraged loan deal on rising investor unease, and digital tools provider Team.Blue scrapped a planned two-part deal to amend, extend and reprice existing loans.

Conversely, a roughly €1.2bn loan backing the buyout of infrastructure safety company Ramudden Global priced tighter than when it initially launched after strong demand. And investors are eagerly awaiting jumbo debt financings backing private equity takeovers of businesses including Continental AG's industrial unit ContiTech.

JPMorgan shifts EA buyout debt mix, boosts loan to $5bn

Bloomberg
New York

Wall Street banks led by JPMorgan Chase & Co have amended the debt package for the buyout of video game maker Electronic Arts Inc, increasing the size of a US dollar loan offering to $5bn.

The lender group boosted the loan by $1bn, while reducing the amount of other US dollar-denominated secured debt by the same amount to $3.75bn, according to a person with knowledge of the matter, who asked not to be identified because they're not authorised to speak publicly.

As banks navigate volatile markets to sell risky debt tied to buyouts, they're tapping several corners of the credit market across leveraged loans and junk bonds to reach a broader number of investors. In some cases, that includes different currencies.

JPMorgan — which stunned Wall Street last year by committing a record $20bn to bankroll EA's buyout — had previously shifted more of the deal's debt financing toward junk bonds amid weakness in the loan market.

As of Friday, EA had attracted about $25bn of demand for the roughly $15bn of debt across loans and bonds.

Credit markets rallied on Monday by one measure after President Donald Trump said he would postpone strikes on Iranian energy infrastructure following what he described as productive talks toward ending hostilities. The market remains fragile, however, hit by concerns about AI-disruption fears and the Middle East conflict.

Among other recent changes in leveraged financings tied to acquisitions, Nexstar Media Group Inc amended the debt package tied to its acquisition of fellow TV-station owner Tegna Inc Banks led by Bank of America Corp on Friday added more bonds to the overall $6.9bn debt package and cut the size of a leveraged loan by $1bn.

China to issue new quotas for investing overseas, says official

Bloomberg
Beijing

China plans to increase the amount of money that approved investors can channel into overseas assets as Beijing loosens its control over capital outflows.

Authorities are preparing a new round of quotas under the qualified domestic institutional investor programme, which allows select institutions in the mainland to invest abroad. The quota caps investors' ability to purchase assets like US Treasuries and overseas equities and was last increased in the summer.

The move is intended to "better meet the cross-border investment needs of domestic institutions," Zhu Hexin, head of China's top currency regulator, told the China Development Forum in Beijing on Monday.

Zhu said China has been pushing toward progress on capital account convertibility — or the free flow of capital across borders — saying that more than 90% of capital-account items are now at least partially open. "In the next five years, China will continue to promote opening up of capital accounts and coordinate the course with financial reforms and yuan internationalization," he added.

Despite volatility in global financial markets, Zhu said that cross-border capital flows were "basically balanced."

That stability has given Beijing breathing room to loosen capital controls and revive a longer-term push to expand the yuan's global role.

Wall Street pushes back China rate-cut calls after oil shock

Bloomberg
New York

Some of the biggest US banks raised their projections for China's inflation this year and pushed back predictions for its next interest-rate cut, as the escalating conflict in Iran sends oil prices higher.

Bank of America Corp joined other Wall Street giants like Citigroup Inc and Goldman Sachs Group Inc in expecting a faster increase in consumer and producer prices this year than predicted previously, according to a report published on Monday.

The spike in energy costs is also making the odds of monetary easing much lower in the months ahead, with economists at BofA removing their call for two rate decreases totaling 20 basis points this year.

Citi, which earlier expected cuts to resume next quarter, now predicts the People's Bank of China will deliver a single 10-basis-point reduction in the second half of the year.

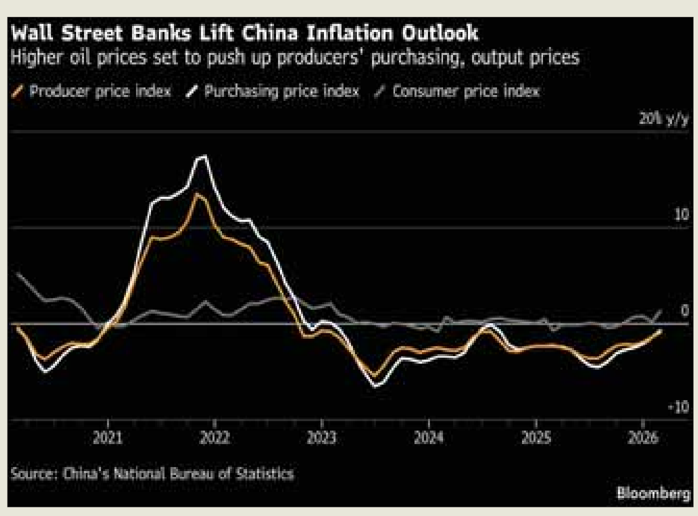
"We see policy moving toward a wait and see stance," BofA's economists said in the report. There's "less need to ease immediately, but greater capacity to respond quickly and decisively if external or domestic demand weakens unexpectedly or financial conditions tighten."

The emerging consensus among economists mirrors expectations in the market, as traders pare back bets for further monetary easing. The yield on China's 30-year government bond rose to an 18-month high last week.

Investors, economists and policymakers worldwide are fast adjusting to the new reality of more expensive energy, as attacks in the Gulf send oil costs soaring and threaten to disrupt supply routes more broadly.

Officials at the US Federal Reserve kept borrowing costs on hold last week while acknowledging added uncertainty created by the war in the Middle East.

The Bank of England said on Thursday it "stands ready" to act to prevent inflation from accelerating. Traders have also started to boost bets on rate hikes by central banks from the eurozone to Australia.



In China, the central bank has increasingly been on the sidelines when it comes to managing an economy hampered by weak demand and deep-seated imbalances, with fiscal stimulus expected to do most of the heavy lifting.

The PBoC delivered just one 10-basis-point reduction to the policy rate in 2025 — far less than many had expected.

Standard Chartered Plc, which doubled its forecast for China's 2026 consumer inflation to 1.2%, also removed its prediction for a 10 basis-point policy rate cut this year while saying the PBoC "may keep liquidity ample."

"We think the bar for policy rate cuts has increased," StanChart economists including Ding Shuang said in a report on Monday. "We do not expect a shift in the accommodative monetary policy stance in response to moderate reflation."

Even before the hostilities in the Middle East, policymakers have been telegraphing a cautious approach to monetary easing. China's top leadership this month set its most modest growth target for the economy since 1991.

But the possible timing of future rate cuts is now even less certain. Adding to higher oil prices, a global rally in metals supported by investments linked to artificial intelligence — as well as a modest recovery in consumer and business demand at home — are among factors cited by economists who see a bigger rebound in prices ahead. China will likely exit a record streak of economy-wide deflation as soon as this month, as soaring oil costs push up expenses for the industrial sector.

But in the absence of stronger demand, factories may find it difficult to pass on the higher costs to buyers and end up with even thinner profits. It's a worry given official data shows the share of loss-making industrial companies in China climbed to 24% in 2025, the highest this century.

The upward changes by Goldman, Citi and BofA for consumer prices were smaller in comparison with their revisions for producer prices, as economists predict higher costs won't easily reach the retail and services sectors.

A 1% increase in the producer-price index translates into only around 5 basis points of core consumer inflation, according to economists at Goldman Sachs.

"Energy-led cost-push inflation may not translate into a broad-based reflation dynamic," they wrote in a report on Monday. "Historical experience suggests that energy-driven PPI reflation is highly concentrated in upstream industrial sectors."

BUSINESS

Asian stock markets tumble

AFP
Hong Kong

Asian markets tumbled on Monday and oil prices jumped after Donald Trump and Iranian leaders traded threats over the key Strait of Hormuz, while Israel said the Middle East war could last several more weeks.

In Tokyo, the Nikkei 225 closed down 3.5% to 51,515.49 points; Hong Kong - Hang Seng Index ended down 3.5% to 24,382.47 points and Shanghai - Composite closed down 3.6% to 3,813.28 points yesterday.

With the conflict now in its fourth week and showing no sign of ending, the head of the International Energy Agency warned of the worst global energy crisis in decades and said the world economy was under "major threat" from it.

Observers, meanwhile, have also raised the prospect of a surge in inflation that could force central banks to hike interest rates, while the choking off of fertiliser shipments has also fanned concerns about global food security.

The US president on Saturday gave Iran 48 hours to reopen the Strait of Hormuz to shipping or face the destruction of its energy infrastructure. The ultimatum, made just a day after the US leader said he was considering "winding down" military operations, came as the waterway -- through which a fifth of global oil and gas flows -- remained effectively closed.

Iran warned Hormuz "will be completely closed" if Trump acted on his threat.

And powerful parliament speaker Mohammad Bagher Ghalibaf threatened to irreversibly destroy vital infrastructure across the region, which he said would cause oil prices to rise "for a long time", if Tehran's own infrastructure was hit.


A pedestrian walks past an electronic quotation board displaying stock prices on the Tokyo Stock Exchange. The Nikkei 225 closed down 3.5% to 51,515.49 points yesterday.

Iranian media reported explosions in Tehran on Monday as Israel announced it launched another wave of strikes, while Saudi Arabia and the United Arab Emirates reported coming under fresh attacks.

The escalation hammered stock markets, with Seoul and Tokyo -- which had been the standout performers before the war started -- taking the brunt of the selling, shedding 6.5% and 3.5%, respectively.

Hong Kong and Shanghai shed more than 3%, while Singapore, Taipei, Mumbai, Bangkok and Manila all lost between two and three percent. Sydney and Wellington were also deep in negative territory.

South Korea's won dropped to 1,510 won per dollar, its weakest level since 2009. Oil prices jumped more than 2% with Brent above $114 and West Texas Intermediate topping $101.

"The outcome and Trump's next steps, particularly in the event of escalation, would have significant implications for markets through the remainder of the week and into month and quarter end," wrote Pepperstone's Chris Weston.

He added that while the president has often pulled back from the brink on issues in the past, Trump "has also shown credibility in following through with military action when demands are not met, so markets will place weight on his weekend post on Truth Social".

"If we move past the deadline, focus will quickly shift to the scale of any action against Iran and the nature of Iran's response, particularly towards US bases and its allies."

IEA boss Fatih Birol said Monday: "The global economy is facing a major, major threat today, and I very much hope that this issue will be resolved as soon as possible.

"No country will be immune to the effects of this crisis if it continues to go in this direction. So there is a need for global efforts." Birol added that the world was losing more oil each day than the combined impact of both 1970s oil shocks and Russia's invasion of Ukraine.

His remarks came as central banks reconsider their monetary policies amid expectations that the surge in oil prices will send inflation soaring, with the Reserve Bank of Australia last week hiking interest rates. The prospect of higher borrowing costs has hammered non-yielding gold, which has fallen for eight straight days and just suffered its worst weekly drop since 1983.

Emerging stocks on correction course

Reuters
Singapore

Emerging market (EM) stocks tumbled on Monday as the Middle East war intensified, with Israel planning for "weeks" of continued fighting, sending global risk sentiment into a tailspin. Asian equities, which carry significant weight on the emerging market equity index, bore the brunt of the selloff. The index sank 3.3% to its lowest level of the year so far, leaving it more than 12% below its record closing high in February, yesterday.

A close 10% below that peak would place the index firmly in what markets commonly define as correction territory.

Seoul equities plunged 6.5%, while stocks in Taiwan, Bangkok, Mumbai, Istanbul, Warsaw, and Johannesburg each dropped more than 2%. Markets in Hong Kong, Shanghai, and Vietnam slid over 3% each.

Iran warned on Sunday that it would target the energy and water infrastructure of its Gulf neighbours if US President Donald Trump carried out his threat to strike Iran's electricity grid on Monday if it did not open the Strait of Hormuz. With the conflict now in its fourth week, hopes for a swift resolution have all but evaporated.

"Tonight's deadline imposed by the US on Iran to reopen the Strait of Hormuz translates into a nervous and defensive start to the trading week as inflation concerns continue to rattle investor sentiment," said Kenneth Broux, head of corporate research FX and rates at Societe Generale. Europe, in particular, remains highly vulnerable to energy shocks. Central banks globally are no longer debating whether inflation could reaccelerate, but rather how many economies may feel the impact.

This week, rate decisions are due from Hungary, Chile, Mexico, and South Africa. The inflationary jolt from rising energy prices has prompted markets to scale back hopes for further monetary easing and, in many developed economies, shift towards pricing in fresh rate hikes. "In Hungary, we no longer expect a rate cut, with the outlook clouded by the dual uncertainties of the escalating conflict and the upcoming parliamentary elections," Societe Generale's CEEMEA analysts said.

In Central and Eastern Europe, currencies were broadly weaker, though their losses were far milder than the sharp declines seen in equities.

On the data front, Polish retail sales for February rose less than expected. Meanwhile, Romania's debt managers cut their March domestic debt issuance target for the second time on Friday, after scrapping seven consecutive debt sales amid the volatility unleashed by the Iran war.

International dollar bonds issued by Ukraine, Pakistan, and Sri Lanka also came under pressure, falling by as much as three cents each.

'Asia economies face crisis from Mideast disruption'

Asia's oil imports heavily reliant on Middle East; Singapore prepares for economic fallout, emphasises stability and co-operation; war against Iran 'unnecessary,' minister says

Reuters
Singapore

The war against Iran threatens to send Asian economies into crisis, Singapore's foreign minister said on Monday, a stark warning in a region that is acutely exposed to the massive disruption of Middle East energy supplies.

"Right now the closure of the Strait of Hormuz is, in a sense, an Asian crisis," Vivian Balakrishnan told Reuters.

In remarks made over an hour-long interview, he also raised questions about the necessity and legality of the US-Israeli war on Iran that is now entering its fourth week, saying the "entire global economy has been taken hostage" by a conflict that could usher in a financial crisis.

The war has shut down the Strait of Hormuz through which 20% of the world's oil and liquefied natural gas flow, pushing up oil prices and raising fears of a renewed spike in global inflation, with no clear end in sight.

While the United States has become a net oil exporter, industry-heavy economies in Asia are far more reliant on crude oil from the Middle East, Balakrishnan said.

Asia, the top oil importing region, sources nearly 60% of its crude and petrochemical naphtha feedstock from the Middle East. That exposure has led countries including China to halt refined fuel exports, while numerous petrochemicals plants and refineries in the region have scaled back operations or declared force majeure.

Reuters reporting shows around 80% of oil shipped through the Strait of Hormuz heads to Asian buyers.

"The vulnerability has been known, but it's never been tested to the extreme that it is being tested today," Balakrishnan said. He warned that much would be determined by whether US President Donald Trump followed through on his warning to destroy Iranian power plants if the Strait of Hormuz was not open to all shipping. In turn, Iran said it could attack Israel's power plants and plants supplying US bases in the Gulf. "If indeed you get tit-for-tat destruction of energy infrastructure, then you're dealing not only with an immediate blockage of the straits, but scarring of energy infrastructure from the Middle East which means a prolonged period in which energy exports will be diminished," Balakrishnan said, cautioning that would mean higher oil and gas prices, as well as greater inflation across the board.


Singapore's minister of foreign affairs Vivian Balakrishnan.

Balakrishnan said it is too early to tell if the situation will deteriorate to the levels of the 1997-1998 Asian financial crisis, which sent many countries in the region into recession and spread to the global economy.

But Singapore is dusting off contingency plans to not only weather the storm but look for opportunities as well, he said.

Planning scenarios are framed around the next 18 hours, three months, and then the next three years but Singapore aims to play to its strengths by relying on fiscal conservatism, international cooperation, and adapting to changes in global supply chains, he said.

"In the state of the world now, some stability, some predictability, some safety, will be a welcome bright spot in an otherwise difficult, volatile world," Balakrishnan said.

Countries in Asia need to accelerate the push for renewable energy, boost power grids, update digital infrastructure, and retrain the labour force, while also keeping government coffers balanced and preventing runs on their economies or currencies, he said.

Balakrishnan said he was disappointed that talks broke down between the United States and Iran.

"I will confess that I was surprised with the onset of hostilities. I didn't think it was necessary. I don't think it's helpful, and even now, there are even doubts expressed about the legality of the situation."

Singapore is a longtime US investment and security partner, including extensive military training, logistics support, and intelligence sharing.

It also trades heavily with China, and Balakrishnan said it is not in Singapore's interest to be forced to choose sides.

"From time to time, Singapore will have to say no to the United States or to China, but it must be very clear when we say no, it's not done at the behest of the other but done after careful computation of our own long-term national interest," he said.

Why $100 oil won't break the American consumer

By Jamie McGeever
Orlando, Florida

No one likes expensive oil, especially in the US, where driving, spending, and energy-intensive economic activity are on such a vast scale. But despite fears to the contrary, the average US consumer has never been better equipped to deal with $100-a-barrel oil.

US households are the richest they've ever been in nominal terms. They've rarely been better in relative terms either. Unemployment is also historically low, and, perhaps most importantly, gas and energy account for a historically small share of consumption.

This may help explain why US equities have outperformed their global peers since the February 28 joint US-Israeli strikes on Iran triggered war in the Middle East, the closure of the Strait of Hormuz and one of the worst energy supply shocks in decades.

The S&P 500 and Nasdaq have lost around 5% since then.

That's a significant hit, wiping more than $3trn off the value of US stocks. But the pain may be a lot worse for businesses and households in Europe, Asia and emerging markets, where benchmark indices are down 8-10%.

At an aggregate level, US households appear fully capable of withstanding oil at current prices. Gasoline and energy goods represented only 2% of total consumer spending in the fourth quarter last year, according to Bureau of Economic Analysis data, the lowest percentage over the past 80 years, outside of the pandemic-distorted period of 2020-21.

For context, nearly 3% of spending was devoted to energy goods in 2022 when US crude peaked at $130, and more than 4% in 2008 when oil hit a record peak just under $150. It peaked at around 6% in 1980-81.

True, the latest level of 2% will surely rise if the oil price remains at elevated levels for a sustained period. But, even then, most Americans should be able to handle it. As Federal Reserve data last week showed, household balance sheets have rarely been stronger.

Household net worth in the fourth quarter last year rose to 794% of disposable personal income, the highest level since early 2022. Going back to the 1950s, US household net worth by this measure has only been higher in three quarters, all in the pandemic-distorted 2021-22 period.

Americans aren't immune to the impacts of the energy price spike, however.

The national average price of gas at the pump is almost $4 per gallon, up 35% in a month, according to the American Automobile Association.

The Energy Information Administration puts the average slightly lower at $3.72, up 27% since the war broke out - the highest in two and a half years.

Recall, however, that gas was consistently above $4 for six months after Russia invaded Ukraine in February 2022, and hit $5 that June.

Still, it's important to remember that America suffers from significant "energy inequality." Lower-income households direct a far greater share of their spending to gasoline and energy.

A Fed study last year found that one in five US households are "energy burdened," meaning the average ratio of energy expenditure to disposable income is 25%, compared with only 7% for non-energy-burdened households. Most of these households are in the bottom two quintiles of the income distribution.

For the Trump administration, it would be political suicide to try to flag soaring energy prices as anything other than bad news. That's especially true for a president whose approval ratings are so low ahead of midterm elections in November that could see the Democrats take both houses of Congress.

Moreover, there may be more pain to come. Higher oil can bump up costs throughout the economy, meaning transportation, manufacturing, fertiliser, plastics, chemicals and food could all get more expensive.

This is why Trump is scrambling to get oil prices down, and earlier on Monday he said military strikes against Iranian power plants and energy infrastructure will be put on hold.

To be sure, this is an extremely fluid situation, and Americans' resilience could quickly wilt, especially if oil surges even higher. But for now, fears that $100 oil will break the back of the US consumer seem overblown.

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

European shares recover after Trump's comments

STOXX reverses declines after Trump's comments; miners, financials and travel stocks lift index; Telecom Italia gains on Poste Italiane's acquisition offer; Delivery Hero rises after Taiwan business sale

Reuters
London

European shares rebounded on Monday, snapping a three-day losing streak after US President Donald Trump said he would postpone any strikes on Iranian power plants and energy infrastructure following "productive" conversations with Tehran.

The pan-European STOXX 600 rose nearly 0.6% to 576.78 points after dropping as much as 2.5% earlier in the session.

"Each day without resolution exerts a slow downward pull on markets, yet the potential for a sharp squeeze higher remains very real if there is even a hint of a credible ceasefire," said John Wyn Evans, head of market analysis at Rathbones.

The mid-session reversal in equities shows how sensitive risk sentiment remains to the US-Israel war against Iran, now in its fourth week, which has eclipsed most other concerns for investors.

Trump said Washington and Tehran had "productive" conversations for "total resolution of hostilities." However, Iran's foreign ministry spokespersondenied any communication with the US, keeping traders on edge.

Regional bourses recovered, with Frankfurt's DAX and Spain's IBEX up over 1% each. Miners, financials and travel and leisure rose 2.6%, 2.6% and 2.5%, respectively.

A 9% drop in Brent futures weighed on energy shares , which lost 1.7% and were the biggest drag on the index.

Energy-price-sensitive airlines also reversed losses with Air France and Lufthansa climbing 3.9% and 3.4%, respectively.

"This is the same type of thing that happened after Liberation Day," said Robert Pavlik, senior portfolio manager at Dakota Wealth, drawing a parallel to the volatile markets nearly a year ago as investors grappled with the lack of clarity on US tariffs.

The continent is particularly vulnerable to energy price swings, considering its reliance on imports via the Strait of Hormuz -- a conduit for one-fifth of the global oil supply that has largely been shut since the war began.

Despite the strong start to the week, the STOXX 600remains on the cusp of a correction, having fallen about 9% from its record high close in February.

An index is said to have confirmed a correction if it closes 10% below a recent record high close.

Hopes of a de-escalation prompted markets to scale back their bets on rate hikes by the European Central Bank, but brokerages have cautioned that the impact on inflation and economic growth could be felt for months.

Spain proposed fiscal measures to counter the economic impact of higher energy costs.

Among individual movers, Telecom Italia added 4.7% after postal service Poste Italiane announced it was launching a cash-and-share offer to buy the former phone monopoly for 10.8bn euros ($12.5bn). Poste Italiane declined 6.9%.

German company Delivery Hero advanced 7.9% after selling its food delivery business in Taiwan to Grab Holdings for $600mn.

Danish jeweller Pandora's shares jumped 9.2% on lower precious metal prices.

Meanwhile observers have raised the prospect of surging inflation as oil prices remain far above pre-war levels despite Monday's plunge, adds AFP.

This in turn could see central banks hike interest rates, potentially triggering a fresh cost-of-living crisis. The prospect of higher borrowing costs has hammered the price of non-yielding gold but the precious metal recovered some of its losses after Trump's latest comments, which also reversed the direction of the dollar. Trump's latest announcement sent the greenback lower against the euro, British pound and yen.

Yields on 10-year government bonds, which have been surging on inflation concerns, pulled back slightly.

"As government bonds... see yields rise, it makes gold less attractive given that gold pays no interest," said Susannah Streeter, chief investment strategist at Wealth Club. "Investors who have made losses elsewhere in volatile markets are selling to cover positions."

Stocks trading data displayed at the Euronext stock exchange in Paris. European shares rebounded yesterday, snapping a three-day losing streak after US President Donald Trump said he would postpone any strikes on Iranian power plants and energy infrastructure following "productive" conversations with Tehran.

Eurozone bonds rally as Trump halts some Iran strikes

Reuters
London

Eurozone government bonds rallied in a bumpy session on Monday after President Donald Trump said he would order the US military to postpone any strikes against Iranian power plants and energy infrastructure for five days.

Trump said he has had "good and productive conversations" with Iran.

Meanwhile, Iran's Tasnim news agency, citing an Iranian official, said that the Strait of Hormuz would not return to pre-war conditions and energy markets would remain unsettled, adding that no negotiations with the US were underway.

Bonds had been selling off for the fourth consecutive session earlier in the day, but then sharply reversed course following Trump's comments. Over the weekend, Trump had threatened to destroy Iranian power plants if Tehran failed to "fully open" the Strait of Hormuz to all shipping within 48 hours.

"What's done is still not undone, so the impact has yet to be seen. But obviously markets are breathing a sigh of relief on this news," Chris Beauchamp, chief market analyst at IG Markets, said.

Germany's 10-year government bond yield, the euro area's benchmark, was last down around 5 bps at 2.9873%, after hitting 3.077% early in the session, its highest since June 2011.

The spread between German and Italian 10-year bond yields on Monday had widened as far as 103.62 bps for the first time since June 2025, but was last back down to around 86 bps.

"I think we are literally trading off of headlines now," Andrzej Szczepaniak, senior European economist at Nomura, said, noting that most economic data being published was already stale.

"From a market perspective it's really just monitoring the news headlines that we're getting over the course of today and this week, seeing how those impact oil and gas headlines and obviously from that perspective, yields."

Global bonds have been under pressure as the conflict in the Middle East has stoked inflation fears, with central banks around the world last week raising the alarm on the risk of higher prices. The accelerating inflation concerns have also upended central bank policy expectations.

Those shifted again on Monday after Trump's remarks, with investors scaling back their bets on future European Central Bank rate hikes.

Money market pricing last indicated an around 61% probability of an ECB rate hike at its next meeting in April, down from close to 90% earlier in the day. Markets were last pricing in at least two rate increases from the ECB this year, compared with at least three previously.

This is, however, still a sharp contrast from the end of February, when the ECB was broadly expected to keep rates steady this year.

ECB policymaker Peter Kazimir on Monday said that the central bank would not hesitate to tighten policy if the coming energy-driven inflation surge looks like it could become entrenched.

Shorter-dated bond yields, which are more sensitive to policy expectations, also broadly turned lower, with German 2-year yields last down close to 10 bps to 2.5716%.

They had risen as high as 2.764% earlier in the day. Italian 2-year yields were 7.8 bps lower to 2.8813%, having climbed to 3.151% previously.

Saudi Arabia and Kuwait seek to advance energy deals despite widening conflict

Bloomberg
Riyadh

Saudi Arabia and Kuwait are attempting to press on with planned multibillion-dollar energy deals despite a widening conflict that's seen Iran target oil and gas infrastructure across the Middle East over the past three weeks.

Saudi Petroleum Corp's attempts to lease part of its pipeline network has drawn interest from large private equity and infrastructure funds, according to people familiar with the matter.

The suitors remain committed and the energy giant is carrying on with the plans for now, the people said, declining to identified as the information is private.

Saudi Aramco too plans to launch a process to sell a stake in its oil export and storage terminals business in coming weeks, some of the people said. It had had picked Citigroup Inc to help arrange a deal for the business that's particularly significant now with the kingdom racing to reroute shipments to the Red Sea as the Strait of Hormuz remains at a standstill.

Kuwait Petroleum, meanwhile, is working with Centerview Partners LLC to lease part of its pipeline network and hoped to raise as much as $7bn to help fund an investment plan.

Their attempts to carry on with the plans indicate Gulf states are keen to portray a business-as-usual approach despite Iran's attacks. Still, there have been concerns that the war could dampen the process, some of the people said.

Representatives for Aramco and Kuwait Petroleum didn't respond to requests for comment. Citigroup and Centerview declined to comment.

Deals like the ones being considered by Aramco and KPC have become increasingly popular with Gulf governments looking to diversify their economies. Such transactions are typically structured to allow regional oil behemoths to tap into global institutional capital while still retaining control over key assets.

But the regional war, now in its fourth week, has caused some uncertainty.

President Donald Trump said on Monday that the US had held productive conversations regarding a total resolution of hostilities in the Middle East. However, Iran hasn't had "direct or indirect communication with Trump," the country's semi-official Fars news agency reported, citing an anonymous Iranian source.

Tehran has hit energy assets across the region since the war started, including Saudi Arabia's biggest oil refinery at Ras Tanura, and repeatedly targeted the kingdom's Shaybah oil field, which has the capacity to produce 1mn barrels of crude a day.

Saudi Arabia's storage terminals have also been in focus as the near-closure of the Strait of Hormuz forces the kingdom to send more of its oil into tanks. Kuwait is facing similar concerns as storage fills up, forcing it to cut oil production to levels seen in the early 1990s after the Iraqi invasion.

Despite the conflict, Gulf sovereign investors more broadly are pressing ahead with global dealmaking.

Abu Dhabi Investment Authority, one of the world's largest sovereign wealth funds, was particularly active this month, while Qatar's wealth fund and a Bahraini aluminium firm both announced large deals in the first week of the war.

AI is another reason to finish EU savings union, says ECB official

Bloomberg
Frankfurt

Europe's reliance on bank-based funding prevents the continent from reaping the full benefits of innovation centering on artificial intelligence, according to European Central Bank (ECB) Chief Economist Philip Lane.

That's why governments must urgently make progress on the long-envisaged savings and investments union, Lane said in a speech for delivery in Frankfurt, adding to arguments in favour of tighter co-operation among the European Union's 27 member states.

"The bank-centered financial system of the euro area is not well aligned with the scale and nature of the AI opportunity," Lane said. "Bank-based financing is structurally less suited to intangible, long-horizon investments, while alternative channels such as venture capital and private credit are too shallow in the euro area."

He added that "a deeper and more integrated capital market that can broaden the investor base for intangible-intensive projects, facilitate cross-border risk sharing and reduce the need for bank-based finance" is desirable.

"As such, the AI technology shock serves to illustrate the urgency of delivering the European Union's savings and investments union," he said.

The ECB has raised pressure on governments recently to complete the project that it claims would help address many of the bloc's most urgent problems.

Philip Lane, chief economist of the European Central Bank.

President Christine Lagarde referenced it last week, telling reporters that "completing the savings and investments union is vital to fund innovation and support the green and digital transitions."

It was also part of a checklist the ECB sent to European leaders ahead of meeting last month to discuss how to strengthen the bloc in the face of relentless broadsides from the US. Trade prospects between the two regions remain uncertain, and the Iran is further damping growth.

Lane argued that the "aggregate effects of AI on productivity, employment and inflation remain limited and uncertain at this stage."