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MONETARY POLICY: Page 2

ECB will need to hike if energy shock broadens, says official

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Cloud kitchens leverage data, tech to reshape Qatar's F&B landscape

By Peter Alagos
Business Editor

As Qatar's food delivery market continues to expand, cloud kitchen operators are increasingly turning to proprietary technology and data-driven tools to sharpen operational efficiency and bring more food brands within reach of consumers across the country.

Awais Malik, general manager for Kitchens at Mena-based food delivery platform talabat, told *Gulf Times* that technology sits at the heart of the cloud kitchen model, enabling partners to optimise every stage of the delivery process from order preparation through to dispatch.

Malik explained that talabat's Kitchens model acts as a regional growth engine that enables restaurant partners to expand quickly, efficiently, and with significantly lower risk.

He said talabat Kitchens operates more than 30 locations across five markets in the Mena region, with plans to scale to 50 kitchens over the next three years.

Malik also pointed out that the company's growing network allows it to bring brands closer to customers, increasing network density and unlocking faster, more efficient delivery.

"This efficiency is further enhanced by our proprietary technology, 'Pepper', which optimises operations from order preparation to dispatch. As a result, partners benefit from improved performance and faster delivery times – supporting stronger, more sustainable revenue streams during this period of rapid market expansion," he further explained.

According to Malik, the operational gains are measurable, noting that the cloud kitchen model has contributed to delivery time improvements of up to 13% regionally compared with traditional brick-and-mortar restaurants – a figure he attributed to the kitchens functioning as localised distribution hubs that reduce the distance between food preparation and the customer.

Awais Malik, general manager for Kitchens at talabat.

Beyond logistics, Malik said talabat Kitchens provides partner brands with a broader ecosystem of support, including data-driven insights, menu optimisation, and operational and logistics expertise, to help them grow sustainably within a competitive market.

"Clear regulatory frameworks from the Ministry of Commerce and Industry mark a significant milestone for Qatar's digital food economy, strengthening consumer trust and giving investors the clarity needed for long-term planning"

"Through cloud kitchens, we aim to lower the barriers to entry for entrepreneurs and small and medium-sized enterprises (SMEs), enabling new food concepts to be tested and scaled without the high capital investment of traditional storefronts.

"At talabat Kitchens, we support approximately 1,000 partner brands across the region, providing not just infrastructure but a full ecosystem of support from data-driven insights and menu optimisation to operational and logistics expertise. This enables partners to grow sustainably while contributing to a more dynamic and competitive F&B sector," he emphasised.

In Qatar, Malik said the company is deploying this model across a network of strategically selected locations, with kitchens positioned near high-density residential and commercial areas, including The Pearl-Qatar, Lusail City, and Al Waab.

Malik said this helps ensure that orders are prepared as close to demand as possible, maintaining delivery speed and food quality across the network.

The expansion also extends to parts of Doha that have historically had fewer delivery options, said Malik, noting that a new kitchen under development in Wukair, in the southern part of the city, is intended to serve as a launchpad for well-established GCC food brands looking to enter or expand within the Qatari market.

"This approach helps bring greater variety and choice to customers in the area," he stressed.

Malik said the convergence of technology, logistics infrastructure, and brand support positions the cloud kitchen model as a long-term contributor to Qatar's broader digital economy ambitions, aligning with the goals of Qatar National Vision 2030.

Asked how Qatar's formalised regulatory landscape helped foster consumer trust and investor confidence in Qatar's digital food economy, Malik said: "Clear regulatory frameworks from the Ministry of Commerce and Industry mark a significant milestone for the sector, strengthening consumer trust and giving investors the clarity needed for long-term planning."

He added: "At talabat Kitchens, these standards have always been foundational. Each partner operates a fully licensed kitchen, maintaining brand control while adhering to local regulations and our internal protocols, ensuring consistency, professionalism, and sustainability across the ecosystem."

Doha's listed banks will have to sustain quality growth while managing margin and efficiency metrics, given the regional and global geopolitical environment, according to KPMG in Qatar

Qatar's listed banks should sustain quality growth while managing efficiency: KPMG

By Santhosh V Perumal
Business Reporter

Doha's listed banks will have to sustain quality growth while managing margin and efficiency metrics, given the regional and global geopolitical environment, according to KPMG in Qatar.

"Qatar's listed banks began 2026 on a stable footing, with resilient balance sheets and strong capital adequacy and coverage ratios," Omar Mahmood, Partner, Head of Financial Services, KPMG in Qatar, said in an analysis note.

There are nine (including Shariah-compliant) listed banks -- QNB, Qatar Islamic Bank, Commercial Bank, Doha Bank, Ahlibank Qatar, QIIB, AlRayan Bank, Lesha Bank and Dukhan Bank.

The listed banks' total assets were valued at QR2.4tn at the end of first quarter (Q1) of 2026, broadly in line with the levels in December 2025.

The banks' return on assets was marginally down to 1.4% during Q1-2026 compared to 1.5% the previous year period.

While profitability moderated amid higher provisioning, he said cost pressures, and the advent of global minimum tax, asset quality indicators held steady; supporting positive market sentiment reflected by higher share prices.

Profit after tax was down 1.7% year-on-year to QR7.5bn during Q1-2026; while credit provisions increased by 2.7% year-on-year to QR2.9bn during Q1-2026.

The sector contributed 58.78% of the total net profits of the (Qatar Stock Exchange) listed companies in Q1-2026 against 57.8% the corresponding period of 2024.

The banks' return on equity declined to 12.2% during January-March 2026 compared to 13.3% the corresponding period of 2025.

The banks' non-performing loans ratio stood at 3.2% during Q1-2026, broadly in line with the levels in December 31, 2025, it said, adding Stage 3 financing assets coverage ratio was 81.4%, rising by 0.3% against that in December 31, 2025 levels.

The listed banks' efficiency (cost-to-income) ratio increased to 27% during January-March 2026 compared to 26.1% the previous year period.

The banks' capital adequacy ratio increased to 20.2% in the first three months of this year against 19.6% at the end of December 2025, significantly higher than the minimum requirements set by the Qatar Central Bank (QCB).

"Going forward the focus will remain on sustaining quality growth while managing margin and efficiency metrics, as the sector navigates an evolving regional and global geopolitical environment from a position of strength," Mahmood said.

In view of the economic disruptions due to the Iran war, the QCB had announced a package of pre-emptive support measures, including unlimited Qatari riyal repo facilities, a new term repo with maturities of up to three months, a reduction in the reserve requirement on deposits from 4.5% to 3.5%, and the option for banks to offer temporary payment deferrals of up to three months for the affected borrowers.

Qatar banking sector assets hold at QR2.167tn in March

By Peter Alagos
Business Editor

Qatar's banking sector maintained its stability in March 2026, with total assets holding at QR2.167tn, broadly flat on a month-on-month (m-o-m) basis and up 0.7% against year-end 2025, according to the QNB Financial Services Monthly Banking Sector Update for March 2026.

The overall loan book was also flat m-o-m, up 1.6% against year-end 2025, while deposits rose 1.9% m-o-m, and 3.6% against year-end 2025 during the same period.

As a result, the loan-to-deposit ratio eased to 135% in March from 138% in February, compared with 137% in December 2025, QNB stated.

Public sector deposits expanded by 6.5% month-on-month in March 2026, up 1.8% against year-end 2025.

The government segment, which accounts for approximately 30% of public sector deposits, rose 8.7% m-o-m, while government institutions, representing around 55% of the segment, grew 7.2% m-o-m (-5.3% vs FY 2025). Semi-government institutions, which make up the remaining 15%, held flat m-o-m and gained 5.4% against year-end 2025.

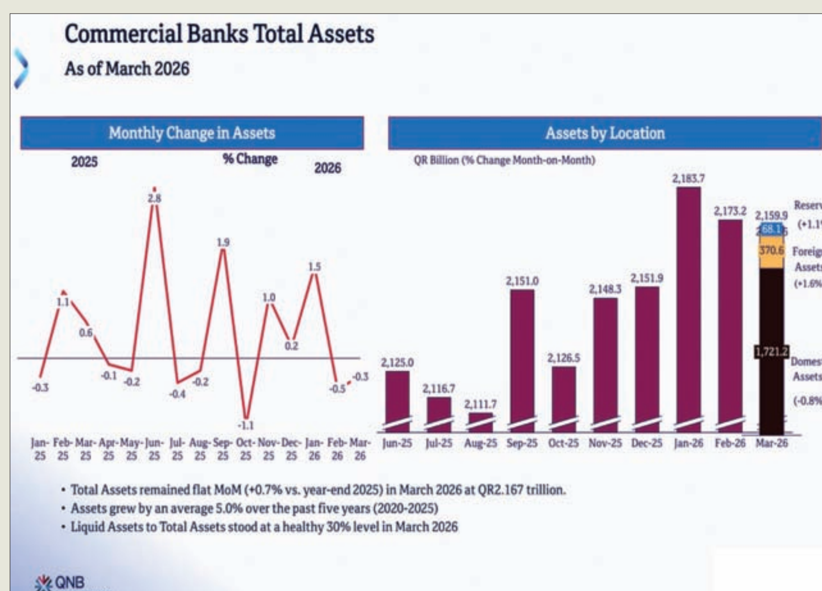
According to QNB, non-resident deposits retreated 1.7% m-o-m in March 2026, though they remained up 5.5% against year-end 2025. As a proportion of total deposits, non-resident deposits edged up from 18.8% at year-end 2025 to 19.1% in March 2026.

Private sector deposits inched up 0.3% month-on-month, up 4.1% against year-end 2025.

Companies and institutions drove the increase, rising 1.6% sequentially and 6.8% against year-end 2025, while the consumer segment slipped 0.6% m-o-m, though it remained 2.1% above year-end 2025.

On the lending side, QNB stated that the overall loan book was flat m-o-m in March 2026, as growth in international loans offset a decline in public sector lending.

Total public sector loans fell 3.3% m-o-m and 3.9% against year-end 2025. The government segment, which represents about 40% of public sector loans, contracted 2.2% m-o-m but remained 15.0% above year-end 2025. The government institutions segment, accounting for roughly 52% of public sector loans, fell 5.1% m-o-m and 16.3% against year-end 2025.



Semi-government institutions, at 9% of the total, rose 2.3% m-o-m and 10.4% against year-end 2025.

Private sector loans held flat m-o-m in March 2026, up 0.5% against year-end 2025, with the real estate segment mitigating declines from other segments.

Outside Qatar, loans expanded 9.7% sequentially in March 2026, representing a 38.3% increase against year-end 2025.

Loan provisions to gross loans held broadly stable at 4.1% in March 2026, compared with 4.0% at year-end 2025, with loan loss provisions rising 3.2% m-o-m and 4.3% against year-end 2025.

"So far, Stage 3 loans have remained stable. Banks continue to provide buffers for Stage 1 & 2 loans," according to QNB.

QNB added: "Qatar's banking sector liquid assets to total assets stood at 30% in March, in line with 30% in January/February, which remains in a strong position."

Major Wall Street lenders plan final push on capital rules

Big banks to seek relief on Basel credit line capital charge; banks also want GSIB surcharge recalculated to reflect economic growth; regulators and banks aim to finalise rules before November election; Fed Vice-Chair for Supervision Bowman has urged banks to avoid aggressive lobbying

Reuters
Washington

Wall Street banks will push again to shrink capital charges on credit card lines and globally important US lenders as they make a final bid to win further capital relief before the US November election, said four industry officials familiar with the industry discussions.

The Federal Reserve in March unveiled new relaxed drafts of sweeping capital rules which it estimated would reduce the funds big banks must put aside to absorb potential losses by around 4.8%, arguing the current rules are hurting the economy.

While the industry generally sees that as a victory compared with the central bank's original 2023 plan, which had envisaged a 20% capital hike, the benefits will be uneven and a handful of big banks feel they are losing out compared to their peers, the people said. JPMorgan Chase, the largest US lender, said last month it expects its capital will actually increase, while its competitors' will fall.

Ahead of the feedback deadline next month, JPMorgan and other big banks such as Wells Fargo, Citigroup, Bank of America, as well as their trade groups, are drawing up a final wishlist of fixes. One key issue, the people said, is a requirement under the "Basel" proposal to effectively hold capital against 10% of unused credit lines known as "unconditionally cancelable commitments," the most common of which is unused credit card lines.

Currently, such credit lines are capital-free because banks can yank them at any time, but regulators argue that in practice lenders may not do that during times of economic stress due to client relationships or other risk management practices.

Banks should benefit from a capital break on used credit lines also proposed in March. But big banks will nevertheless argue the new charge could force them to reduce credit card limits and cancel unused lines, said the people.

Regional and smaller banks will not be affected because they will fall under a new proposed simpler capital regime, two of the people said. "The rational thing to do is cut credit limits closer to approximate usage," said Matthew Bisanz, a partner at Mayer Brown who is closely tracking the proposal and said the amount of affected unused credit would be "enormous."

Spokespeople for the Fed, JPMorgan, Wells Fargo, Citi and Bank of America declined to comment or did not respond to requests for comment. The sources declined to be identified because the regulatory discussions are private.

There was nearly $5tn in unused credit card lines at the end of 2025, according to Federal Deposit Insurance Corporation data, although Reuters could not immediately ascertain how much of that might be affected by the proposal. The Basel Committee, the international body which sets capital standards, originally proposed the new charge which was subsequently included in the 2023 plan drafted by Democratic officials at the Fed and other bank regulators under former President Biden.

Having successfully fought to delay and water down that draft, banks hoped President Trump's Republican regulators would narrow or eliminate the charge and were disappointed to see it had survived once they got their hands on the fine print, three of the people said.

Another major point of contention relates to a capital levy the Fed imposed on globally systemically important or "GSIB" US banks following the 2008 financial crisis. Those lenders have long argued that the Fed should update inputs it uses to calculate that "GSIB surcharge," which it set in 2015, to adjust for economic growth and in turn more accurately reflect the size of the banks relative to the global economy.

The Fed last month proposed a one-time adjustment to account for recent economic growth and automatic updates for future growth, but the banks will again press to go back to 2015, a tweak that could significantly shrink their surcharges, two of the people said. JPMorgan Chase CEO Jamie Dimon last month called aspects of the surcharge "nonsensical," saying it punished the bank for its success.

Other likely bank asks will relate to the treatment of trading book assets and the interaction of the rules with annual bank stress tests, said analysts.

"A lot of banks have said, look, we think that this is a very good starting point ... but there are things in the proposal that they would like to see changed," said Richard Ramsden, who leads the research coverage of financials at Goldman Sachs.

"At this stage, given just how long this debate has gone on for, it makes sense to just focus on getting this done."

Banks are keen to finalize the rules before November's mid-term elections potentially hand more power to Democrats skeptical of what some have said is a Wall Street giveaway, three people said, giving lenders just a few months to win favorable changes. Fed Vice-Chair for Supervision Michelle Bowman, who is leading the effort, has said she wants to finalise the proposalby year end. She has also told banks she does not expect them to reprise the aggressive tactics they used to fight the 2023 plan, and to target their responses, Reuters reported.

Mindful they may not have such friendly regulators for a decade or more, the industry nevertheless plans to push for as much relief as possible, two of the people said.

"It's an unbelievably complicated proposal," Greg Baer, CEO of the Bank Policy Institute, which led the industry pushback the first time, told Congress last month. "I don't even want to know how long our comment letter is going to be."

ECB will need to hike interest rates if energy shock broadens: Official

Bloomberg
London

The European Central Bank (ECB) will have to raise interest rates if the Iran war leaves a more lasting mark on inflation, according to Executive Board member Isabel Schnabel.

A "rapidly growing share" of firms plans to raise prices, supply chains face disruptions and households are adjusting their expectations, the German official said on Thursday. With memories of the last inflation shock still fresh, the current crisis won't take as long to be felt, she said.

"If the energy-price shock broadens, monetary policy will need to tighten to contain the risk of second-round effects threatening medium-term price stability," Schnabel said in a speech in London. "This risk has increased in recent weeks."

The ECB has so far held off from lifting rates, despite inflation jumping well beyond the 2% target. With the knock-on effects of higher energy prices still filtering through, officials have been inclined to await further data. President Christine Lagarde has signaled, however, that a move is possible in June.

Others have been more explicit. Slovakia's Peter Kazimir said action next month "is all but inevitable," while Bundesbank chief Joachim Nagel reckons a hike will be needed unless the outlook for inflation and growth improves significantly.

France's Francois Villeroy de Galhau, who'll step down before the next policy meeting, has countered that higher energy costs haven't created sufficient damage to warrant a response.

Markets, however, are pricing at least two quarter-point hikes this year.

"If we see that the higher costs are being passed through, and that the wages do increase, that is then the sign that monetary policy has to react — not only to send a signal, but actually to constrain aggregate demand," Schnabel said.

With adverse supply shocks becoming more frequent, she said it's imperative to shield central banks' independence so they can tighten policy when needed.

The ECB "has made clear" that it will do what's needed to bring inflation back to target from 3% at present, she said.

"Preserving that capacity in the future requires safeguarding central banks' room for maneuver from forces that risk constraining it," Schnabel said. "This requires governments to place public finances on a genuinely sustainable trajectory. It requires regulators to resist pressure to dismantle the post-2008 financial architecture. And it also requires discipline on the side of central banks to firmly remain within their mandates."

The alternative, she warned, would be allowing so-called fiscal and financial dominance to "quietly erode" policymakers' space to respond, hollow out independence and "ultimately lead to higher inflation and lower growth."

Her remarks come as central-bank autonomy, a principle established in the 1980s on the basis that technocratic decisions lead to better outcomes, is being tested around the world.

In the US, President Donald Trump's attacks on the Federal Reserve have included personal insults and accusations of criminal behaviour, part of sustained efforts to secure a reduction in interest rates.

Schnabel cited Fed Chair Jerome Powell's "key message" at his final press conference last week that "central-bank independence is at risk."

"That a sitting Fed Chair felt compelled to make such a statement publicly says something about the times we are in," she said. Political attacks on central banks are "deeply disconcerting" and "risk doing lasting damage by sowing doubt about the institution's ability to act free of political consideration, weakening the anchor underpinning long-term inflation expectations."

While Europe isn't immune from such dangers, the debate has been slightly different, centering on the early departure of Villeroy in France. Opponents call his exit an attempt by President Emmanuel Macron to install a successor before his term ends in 2027, when the far-right could win elections.

Schnabel didn't touch on that specific case, but echoed Lagarde in arguing that decision-making free from pressure is "critically important" to the ECB's mission.

"Central-bank independence is not a technocratic preference," Schnabel said. "It is a commitment to protect the value of money for everyone."

Isabel Schnabel, executive board member of the European Central Bank.

Global watchdog FSB unveils action plan on private credit risks

Bloomberg
London

The world's top financial stability watchdog unveiled a tentative plan to tame private credit risk, as bankers' and policymakers' escalating warnings about potential dangers collide with a political push towards a possible deregulation.

The Financial Stability Board (FSB), which convenes central banks, regulators and finance ministries from the world's most powerful economies, on Wednesday said "significant data challenges" had frustrated its almost year-long effort to assess vulnerabilities in the $1.5 to $2tn market.

Exploring new ways to address those data challenges is a key part of the plan laid out by the FSB to mitigate risks.

Other action points include "facilitating supervisory discussions" on how vulnerabilities could be monitored, carrying out further risk analysis directly, and hammering out commonly agreed definitions for parts of the private credit ecosystem.

The Financial Stability Board also published almost two dozen core metrics that supervisors could monitor to get a handle on potential risks, based on the data they already collect or can obtain "relatively" easy, and a longer list of 'nice to have' metrics.

It stopped short of any policy recommendations and did not commit to a timescale for further work on the area, which has emerged as a top concern for policymakers including FSB chair and Bank of England Governor Andrew Bailey.

Rather than conclusively give the sector a clean bill of health or otherwise, the FSB's 48-page report highlighted where potential fault lines might lie in a market that Federal Reserve Governor Michael Barr last week warned could spark "psychological contagion" and a broader credit crunch.

One area of concern for the FSB is links between private credit and banks; the report which the Financial Stability Board began working on last July cited industry estimates of $270-$500bn of drawn and undrawn bank loans by private credit firms based on data from 2024.

More recent Bloomberg calculations show thirteen European banks had collective private credit exposure of $135bn this year, while eleven top US banks have $185bn of loans outstanding to the sector.

The FSB also called out high concentrations among the banks' lending to the private credit sector, the borrowers taking the cash, and industry sectors like healthcare and technology, as well as the potential for retail investors piling into the sector to worsen liquidity mismatches.

"The sector's complexity, leverage, and interconnectedness could amplify stress in adverse scenarios, posing broader risks to financial stability," FSB secretary general John Schindler said.

He added that the lack of transparency could hurt investors as well as authorities since "they may have only partial information about correlations and concentrations across loan portfolios and markets. Without this information, risks may be mis-priced, and vulnerabilities may go undetected."

The FSB also noted that private credit companies tend to lend to more indebted borrowers, default rates are rising, and instruments sometimes rely on ratings from "smaller lesser-known agencies."

PE firms tap Europe's junk market for dividends as exits stall

Bloomberg
London

Private equity (PE) firms are once again tapping the European junk debt market to pay themselves dividends as market volatility fueled by the Iran war and AI anxiety limits their ability to cash out.

Brookfield-backed REIT Befimmo, One Equity Partners' Lutech SpA and Cooper Consumer Health, — owned by a consortium of firms including CVC — are among a number of junk-rated borrowers that have recently issued so-called dividend recapitalisations, with more expected in the near future, according to people familiar with the matter.

Typically the sign of a frothy market, dividend recaps offer a way for private equity firms to monetize their assets when a sale or IPO looks challenging. But in doing so they layer yet more debt onto their portfolio companies, many of which are already highly levered. The fact that such deals don't boost earnings mean that they are generally seen as negative by credit ratings agencies because they raise interest expenses and leverage.

"This is top-of-the-market behaviour showing up in a market that isn't hot, which is a red flag," said Sabrina Fox, a leveraged finance expert and founder of Fox Legal Training. "Sponsors are pulling out dividends because the docs let them, and the leverage going back onto these businesses comes at exactly the wrong point in the cycle."

S&P Global Ratings, for example, cut Befimmo's credit rating outlook to negative hours after the company announced it would raise €475mn through a bond sale, €75mn of which was earmarked for a dividend. The ratings agency said it expected the proposed transaction to increase the company's leverage.

Spokespeople for CVC and Lutech declined to comment. Representatives of Brookfield, Befimmo, One Equity Partners and Cooper Consumer Health didn't immediately respond to requests for comment.

Hopes were high for dealmaking this year, with Goldman Sachs even forecasting record M&A activity back in September. But concerns over AI's impact on the software industry and then the war in the Middle East have upended forecasts of a bumper 2026.

"With M&A volumes below initial expectations for this year, sponsors are increasingly turning to dividend recaps as an alternative route to liquidity," said Hadrien Servais, leveraged finance partner at law firm Simpson Thacher & Bartlett LLP.

Despite some concerns over leverage, many of the credit funds and collateralized loan obligations that originally invested in the borrowers appear happy to finance such deals, due to the amount of dry powder they have at their disposal and their limited opportunities to deploy.

"The willingness of lenders to support these transactions reflects both the amount of capital available in the market and the continued competition for high-quality credits," he said.

Credit spreads — and credit risk — blew out in March following the outbreak of hostilities, curtailing high yield issuance as investors and borrowers hunkered down. But now the market is stabilizing somewhat amid a fragile ceasefire, private equity sponsors are looking to raise dividends while the window for some opportunistic financings is open.

Following the success of a handful of euro-denominated deals, others are now looking to tap the market, with some expected to launch as soon as next week, the people said, speaking on condition of anonymity.

"If the stars align with a liked credit, strong market and OK coupon, it can get done," said Catherine Braganza, a senior high yield portfolio manager at Insight Investment Management.

While dealmaking is subdued on both sides of the Atlantic, the recap trend is currently limited to Europe. That's due to the fact the cost of funding is crucial for dividend recaps — particularly for the relatively small firms that borrow in the junk debt market.

"Europe is quite attractive vs the US as the cost of funding is much lower, due to lower bund yields vs treasuries" according to Mahesh Bhimalingam, Global Head of Credit Strategy at Bloomberg Intelligence.

Nintendo to hike Switch 2 price, warns on net profit this year

AFP
Tokyo

Japanese gaming giant Nintendo said on Friday it will hike the price of its Switch 2 gaming console as memory chip costs soar, warning that net profit would fall 27% this year.

Sony -- whose PlayStation5 has already risen in price -- was more upbeat, projecting a 13% rise in income but still with falling sales of its ageing console.

Nintendo said the Switch 2 price in Japan will rise 20% from May 25, and from September 1 by 11% in the United States to $499.99 and in Europe by 6% to 499.99 euros.

For the year to next March, Nintendo expects net profit to drop 27% to 310bn yen ($1.98bn) on sales of 2.05tn, marking a fall of 11.4%.

It also forecast 370bn yen in operating profit, considerably below the average analyst estimate of 480bn yen, according to Bloomberg News.

Net profit surged 52 percent to 424bn yen last year on annual sales of 2.31tn yen, nearly doubling from the previous year, Nintendo said in a statement.

"Nintendo Switch 2 got off to a good start following its launch in June and global sales continued to grow after that," the company said. It sold 19.86mn units of the new console by March, thanks to games like "Pokemon Pokopia", "Mario Kart World" and "Donkey Kong Bananza".

Price rises of memory chips fuelled by the artificial intelligence boom have hit makers of games consoles, smartphones and other devices, while disruptions linked to the Iran war have exacerbated supply problems.

Sony said on Friday that it sold 16mn PlayStation5 units in the past fiscal year, down from 18.5mn in the previous 12 months.

With 92mn PlayStation2 units sold since its launch in 2020, analysts said the firm was well placed to benefit from the release of smash hit "Grand Theft Auto VI", due in November.

"If there is a game that can sell PlayStations by the millions, it is this one," Gaming industry consultant Serkan Toto told AFP.

For the year to March 2027, the game division is expected to enjoy higher profits despite falling sales, Sony said.

"Sony's more mature PS5 console cycle leaves it better placed to weather higher memory costs," said Amir Anvarzadeh, strategist at Asymmetric Advisors.

"Having already moved past the heavy hardware penetration costs typical of earlier years, Sony's bottom line stands to benefit significantly from the high-margin software sales and ecosystem engagement this launch should trigger," Anvarzadeh said.

Nintendo though is in a more difficult position, Toto said, as Switch 2 customers are "especially price sensitive".

"The first year game lineup for Switch 2 is much weaker than for its predecessor," he said.

"But now it's time for them to really step on the gas on the software side."

EM stocks and currencies retreat

Reuters
Singapore

Emerging market (EM) stocks and currencies lost ground after renewed fighting between the US and Iran in the Middle East sent oil prices higher and weighed on risk appetite.

US and Iranian forces clashed in the Gulf, endangering a month-old ceasefire and shaking hopes for a diplomatic solution to the crisis.

"Markets have slipped back thanks to questions about whether the ceasefire is holding. However, they still aren't pricing in the worst-case scenario, as Trump told ABC News that 'the ceasefire is... It's in effect'," analysts at Deutsche Bank said in a note.

MSCI's index tracking global EM currencies slipped 0.2%, while the stocks gauge fell 0.7%, retreating from record highs.

Both indexes are set for their biggest weekly gains in a month, as comments from officials signalling the US and Iran were close to an agreement and that the war could end swiftly had boosted risk appetite this week.

The dollar index was slightly lower on Friday. Investors will be watching the crucial US non-farm payrolls report to assess the path of monetary policy, which could set the tone for markets heading into the weekend.

South Africa's rand strengthened 0.6% against the dollar, while Turkey's lira was little changed. Most currencies in emerging Europe were subdued against the euro.

Most bourses across emerging markets eased. South Korea's Kospi index closed lower on the day but marked its sharpest weekly jump since 2008, while the main gauge in Taiwan fell 0.8%.

"The (Korean) index is heavily dominated by two tech names and as long as the tech cycle momentum holds, the index can trade irrespective of the broader economy," said Mohit Kumar, an economist at Jefferies, on why reliance on Middle East energy was not affecting Korean stocks.

Stock indexes in Poland and Hungary lost 1.6% each. Romanian equities advanced 0.8%, on track for their steepest weekly rise since mid-February.

Romania entered a phase of uncertainty after Prime Minister Ilie Bolojan's government was toppled this week in a no-confidence vote and its leu currency hit a record low against the euro.

The move could result in political deadlock, potentially delaying measures to narrow the country's budget deficit, the biggest in the European Union, and putting EU funds and the country's credit ratings at risk.

Turkish stocks were flat and hovering around record highs, while South African equities tumbled 1.3% despite rising gold prices.

S&P Global will review its ratings on Poland and Israel later in the day.

Markets in the Czech Republic were closed for a public holiday.

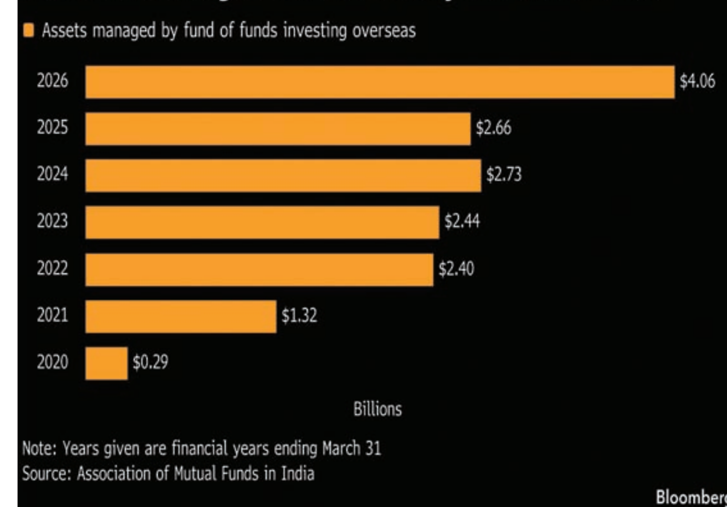
Poor equity returns and weak currency drive Indians to foreign shores

Bloomberg
Mumbai

Investors in India, long focused almost entirely on domestic markets, are increasingly starting to look outward.

A growing number are moving money abroad, seeking diversification after a stretch of weaker relative returns and sustained foreign outflows from local equities that have driven the rupee to record lows.

Indians invested more than $2.2bn in overseas equities and debt in the 11 months through February, a 60% jump from the year-ago period, according to Reserve Bank of India data. Meanwhile, assets in global feeder funds run by local money managers hit a record $4bn in March, data from the Association of Mutual Funds in India show.



What's changing is how local investors are thinking about their portfolios. India is only about 3% of the global equity market, and its stocks don't always move in line with the rest of the world, making overseas investing a simple way to spread risk. A weaker rupee is making foreign assets attractive, as overseas returns get a currency boost, while easier access is attracting more people.

The shift is also being driven by the performance of local shares. The MSCI India Index has trailed its emerging markets counterpart by about nearly 50% over the past year, even after recovering from its March lows. This is mainly due to slower earnings growth and limited exposure to themes like semiconductors. Meanwhile, markets such as Taiwan and South Korea have reached new highs.

"I wanted to be where the real innovation is happening," said Abhishek Dadhich, a 38-year-old tech employee in the Indian city of Pune, who has been investing in US stocks since 2023. Dadhich said his grasp of technology helped him more than triple his investments to over $300,000, exceeding his expectations.

Investors like him are driving growth in platforms that let Indians trade foreign stocks. Assets with Vested Finance Inc topped $1bn in April, about doubling from a year ago, founder Viram Shah said in an interview. The firm aims to reach $5bn over the next three years, he said.

India allows individuals to remit up to $250,000 abroad, but the policy has been underutilized for investment purposes mainly due to the lack of convenient platforms for transactions.

That's changing. Clearer rules for global products from GIFT City — India's low-tax hub — and mobile apps that allow direct overseas investing are lowering barriers for retail investors.

Local asset managers are responding to this demand. Firms like DSP Asset Managers and PPFAS Asset Management have launched outbound funds from GIFT City for retail investors. The first was DSP's Global Equity Fund in June, which invests mainly in the US but also picks stocks from Taiwan, China, and Europe.

The attraction is about what's in short supply at home. Exposure to themes such as artificial intelligence, memory chips and data-center infrastructure — a major driver of gains in markets like Korea and Taiwan — is still limited in India's $5tn equity market.

"Diversification benefits are real" as they give investors an exposure to a broad swath of tech stocks, said Sandipan Roy, chief investment officer at Motilal Oswal Private Wealth, which manages $21bn. "Investors have grown wary of the continuing headwinds that have hit Indian markets."

Citigroup Inc on Friday lowered its recommendation on India to underweight from neutral, citing geopolitical troubles and weak earnings trends. That's after similar cuts by brokers including JPMorgan & Chase Co, HSBC Holdings Plc and Nomura Holdings Inc.

To be sure, global investing still makes up a small share of overall flows, with most money staying in local stocks and bonds. Recurring investment plans by mutual funds alone have brought in about $3bn every month recently, helping offset record foreign outflows from Indian equities.

Even so, overseas-focused funds from India have delivered strong returns. The HSBC Brazil Fund, run by the bank's local fund management arm, has gained nearly 70% in the past year, and the Axis Greater China Fund is up 65%. While platforms like Interactive Brokers and Vested are popular, other players are starting to step in.

Zerodha Broking Ltd, which pioneered zero-brokerage stock trading in India, aims to roll out access to global stocks, CEO Nithin Kamath said on the firm's Youtube channel. State Street Corp is set to bring out model portfolios of overseas stocks for local retail investors, a person familiar with the matter said earlier. "I see 2026 as the year global investing goes mainstream," Vested's Shah said.

Stellantis deal gives China's Leapmotor plant, EV in Europe

Bloomberg
Beijing

Stellantis NV is giving China's Leapmotor access to a plant in Spain, and the partners will build an EV together to deepen ties as the maker of Opel and Fiat cars seeks to shore up its European operations.

Opel engineers have already started working with their Leapmotor counterparts in China, the marque's Chief Executive Officer Florian Huettl said in an interview. They're developing a mid-size sport utility vehicle that will be built in Zaragoza, Spain to compete with cars like Volkswagen AG's Tiguan and Hyundai's Tucson.

The move is one of the first instances of a major Western automaker relying on Chinese technology to bolster its lineup in Europe. Production of the SUV could begin in 2028, the company said Friday.

Separately, the sprawling carmaker, which also owns the Jeep, Ram and Peugeot brands, is discussing transferring ownership of a site in Madrid to its venture with Leapmotor. Stellantis holds a 51% stake in that JV, which so far focused on distribution.

The changes could pave the way for production of multiple Leapmotor models in Spain, helping the companies meet stricter European Union rules on local manufacturing.

The EU is tightening rules on local content for electric vehicles alongside tariffs on Chinese imports, pushing automakers to localize production and secure lower-cost technology as competition intensifies. Leapmotor may produce its B10 SUV at the Zaragoza plant as early as 2026, Stellantis said.

The partners will also deepen cooperation on purchasing to cut costs by combining China's EV supply-chain strengths with European manufacturing. Spain has become an attractive carmaking location because of relatively low labor costs and access to cheap renewable energy.

The broadening of the partnership reflects mounting pressure on European carmakers to cut costs and speed up development as Chinese rivals expand in the region. It also highlights a shift in Europe's auto industry, with manufacturers from China moving into core engineering after building a lead on EV technology and software. Renault SA's new electric Twingo city car, for instance, was developed in Shanghai.

The wheel hub of a Leapmotor B10 compact SUV. Stellantis is giving Leapmotor access to a plant in Spain, and the partners will build an EV together to deepen ties as the maker of Opel and Fiat cars seeks to shore up its European operations.

"This is clearly a first step," said Michael Dean, an analyst at Bloomberg Intelligence. "It would make sense to expand the Leapmotor partnership to other group brands as competition will only deepen in Europe."

Stellantis' plan to deepen ties with Leapmotor (21% ownership) via its 51:49 JV signals a broader shift among European automakers, as they tap Chinese partners' technology and know-how to lower EV costs, accelerate development ("China speed") and absorb excess EU plant capacity. The move follows Renault's China-developed Twingo and VW's openness to plant sharing with partner Xpeng — BI analysts Michael Dean and Giacomo Reghelin

Last week, VW CEO Oliver Blume said he was open to sharing factories at its European plants with Chinese automaking partners. Like Stellantis, the manufacturer is grappling with high costs and under-used factories in the region.

Leapmotor's team will take the lead on the SUV's electric drivetrain and battery systems, while Opel will have greater focus on design and driving dynamics. The car is expected to take around 24 months to develop, a faster pace that reflects the speed at which Chinese manufacturers can create a new model.

"We plan to combine the hardware and software skills of both worlds to build a car Opel will manufacture in Europe," Huettl said. The approach should result in a more affordable model than one developed solely in Germany, he said.

The move confirms a Bloomberg News report from earlier this year that Stellantis was considering deepening its tie-up with Leapmotor to help reduce costs.

The company may ink more agreements with one or more Chinese manufacturers to address overcapacity in Europe, Bloomberg reported last month.

Italian Industry Minister Adolfo Urso said this week he expects to share more details on the future of the distressed Cassino plant in central Italy soon.

He highlighted "potential production investments with international partners" to keep up utilisation rates and employment.

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QSE sees 80% stocks extend gains; M-cap adds QR16.88bn

By Santhosh V Perumal
Business Reporter

WEEKLY REVIEW

Signals pointing to an end to the Iran war and corporate earnings had their positive influence on the Qatar Stock Exchange (QSE), which closed this week on a higher note with its key index gaining as much as 175 points and capitalisation adding about QR17bn.

The industrials and banking counters witnessed higher than average demand as the 20-stock Qatar Index shot up 2.16% this week which saw the QSE-listed companies report total net earnings of QR12.76bn in the first quarter (Q1) of 2026.

Optimism surrounding reports of a possible US-Iran peace framework and ceasefire progress, and strong quarterly earnings, which offset lingering geopolitical uncertainty, have had their considerable influence over the market, analysts told *Gulf Times*.

The Islamic index was seen gaining slower than the other indices of the main bourse this week, which saw Lesha Bank plan to acquire 51% stake in Sharaka Education Holdings, a Qatari entity in the education sector and operating a number of schools in Qatar, for QR192.48mn.

The market was skewed towards movers in the main market this week which saw Baladna sign a pact with Al Dahra Holding to explore a strategic partnership focused on global farming collaboration and long-term animal feed supply, supporting its dairy operations across multiple markets, including Syria.

The consumer goods and industrials sectors accounted for about 57% of the trading volumes in the main market this week which saw almeera expanding its digital services to achieve greater operational efficiency as part of strategy for sustainable growth and maximising value for shareholders.

About 80% of the traded constituents extended gains to investors in the main market this week, which saw a total of 0.04mn

The industrials and banking counters witnessed higher than average demand as the 20-stock Qatar Index shot up 2.16% this week

AlRayan Bank-sponsored exchange traded fund QATR worth QR0.19mn trade across 37 deals.

Market capitalisation added QR16.88bn or 2.7% to QR641.34bn on the back of large and midcap segments this week which saw a total of 0.02mn Doha Bank-sponsored exchange traded fund QETF worth QR0.17mn trade across 42 transactions. Trade turnover and volumes were on the decline in the main market this week which saw as many as 51,000 sovereign bonds valued at QR0.51bn change hands across three deals.

Trade turnover and volumes were on the rise in the venture market this week which saw a total of 10,100 sovereign sukuks valued at QR0.1bn trade across six transactions. The Total Return Index shot up 2.16%, the All Share Index by 2.23% and the All Islamic Index by 1.77% this week which saw no trading of treasury bills.

The industrials sector index surged 3.43%, banks and financial services (2.81%), transport (1.98%), realty (1.74%) and consumer goods and services (1.14%); while insurance and telecom declined 2.4% and 1.33% respectively this week which saw Qatar's gas sector almost doubled contracts, leading to a "strong" $8.8bn in overall projects awarded in the country during Q1-2026.

Of the 54 stocks, as many as 43 gained, while only nine declined and two were unchanged this week which saw Qatar-based AlRayan Bank's UK subsidiary plan to raise £50mn (gross) in aggregate by issuing subscription shares to its major shareholders at 1.43 pence per piece.

Major movers in the main market included Industries Qatar, QNB, Qamco, Gulf International Services, Qatar Cinema and Film Distribution, Estithmar Holding, Ezdan, Qatar Islamic Bank, Commercial Bank, Ahlibank Qatar, Lesha Bank, Dukhan Bank, Qatar Oman Investment, Salam International Investment, Widam Food, Baladna, Al Faleh Educational Holding and Nakilat. In the juniour bourse, Techno Q saw its shares appreciate this week.

Nevertheless, Qatar General Insurance and Reinsurance, Mosanada Facilities Management Services, Qatar Insurance, Ooredoo and Vodafone Qatar were among the shakers in the main bourse this week.

The main bourse saw 21% jump in trade volumes to 0.85bn shares and 15% in value to QR2.07bn but on 8% decline in deals to 131,779 this week.

In the venture market, trade volumes surged 47% to 1.13mn equities, value by 49% to QR2.53mn and transactions by 18% to 288 this week.

"Going forward, the trajectory of the market depends on renewed negotiations and the stability of Strait of Hormuz," one of the analysts said.

UK bonds rally as Starmer says he'll stay as prime minister

Bloomberg
London

UK government bonds rallied as Prime Minister Keir Starmer vowed to remain in his job despite his party's election losses.

Yields on 30-year gilts, which are more sensitive to political and fiscal risks, fell seven basis points to 5.57%. The bonds were on track for their best week in a month, recovering from an earlier selloff fueled by concerns that the local elections could put Starmer's position at risk.

The pound strengthened 0.4% to $1.3613 against a broadly weaker dollar.

Starmer said the initial results were "very tough" for his governing Labour Party, but insisted he would not walk away. With counts completed in approaching a third of English councils, Nigel Farage's populist Reform UK had logged a net gain of 311 seats, while Labour's tally was down by 210.

While losses were heavy for Labour, the scale of the defeat appeared to be smaller than some political forecasters had expected. If Starmer stays in his role, it should ease concerns among investors that a new leader would shift Labour to the left and hike spending to win back disaffected voters.

"I guess we don't have the full results, but the whisper number on losses looked to have been too high, so potentially seeing some short covering in gilts," said Craig Inches, head of rates and cash at Royal London Asset Management.

Like global peers, UK bonds have been buffeted by the Middle East war, with the energy shock driving up inflation risks and making interest rate hikes likely. But the country's high debt load and fractious politics made them a prime target. The yield on the 30-year bond hit its highest since 1998 earlier this week.

"Traders may be quick to add to their skepticism of longer-dated bonds should the overall results stoke fear of policy uncertainty. The UK's 30-year bonds have underperformed both German and Treasury securities this year, and any outcome that calls into question Prime Minister Keir Starmer's longevity in office may spur traders to add in a fiscal risk premium", says Ven Ram, macro strategist at Bloomberg.

Further election results for England, as well as those from Wales and Scotland, are due later. For now, sentiment is relatively positive for Starmer.

"It's still a long road for him to be leader at the next general election or even maybe the end of 2026, but gilt markets have again and again been most focused on the short term of whether he goes," said Gordon Shannon, fixed-income portfolio manager at TwentyFour Asset Management. "He's bought himself time."

The pound had resisted selling pressure ahead of the vote, but many in the market had penciled in the possibility of a selloff after the results. Some, including JPMorgan Asset Management, were looking to scoop up the pound if it weakened.

"Given the negativity about the UK, the carry and the impact that lower oil prices would have on government borrowing costs, it's a good fade," said Nick Wall, head of FX strategy at the US asset manager. "I think people are way too pessimistic on Sterling."

Both the pound and gilts are sensitive to political instability, in part because many investors harbor memories of 2022, when former Prime Minister Liz Truss' budget plan sparked a financial crisis and dramatic selloff in UK markets.

For investors looking at the initial results on Friday, the chance of increased government spending appeared diminished.

US economy posts strong job gains, but strains remain

Reuters
Washington

US employment increased more than expected in April, pointing to labour market stability and reinforcing expectations the Federal Reserve would keep interest rates unchanged for some time as the war with Iran fans inflation.

Despite the second straight month of strong job growth reported by the Labor Department on Friday, strains remained and economists warned the labour market was not out of the woods yet.

The number of people working part-time for economic reasons increased by the most in 14 months and there were also more multiple job holders. Household employment decreased for a fourth consecutive month, but was offset by a continued contraction in the labour force, keeping the unemployment rate unchanged at 4.3% after rounding.

The jobless rate is calculated from the household survey.

"Labour demand and supply remain in an uneasy balance, however, and labor market conditions could weaken again swiftly as financial pressures from rising prices weigh on household purchasing power," said Scott Anderson, chief US economist at BMO Capital Markets. "There is nothing in this report to move the Fed off the sidelines on future rate cuts."

Nonfarm payrolls increased by 115,000 jobs last month after an upwardly revised 185,000 advance in March, the Labor Department's Bureau of Labor Statistics said. Economists polled by Reuters had forecast payrolls rising by 62,000 jobs after a previously reported 178,000 rebound in March.

Estimates ranged from a loss of 15,000 jobs to a gain of 150,000 positions. The back-to-back rise shown in the survey of establishments offered hope

Job seekers speak with recruiters during a job fair in California. US employment increased more than expected in April, pointing to labour market stability and reinforcing expectations the Federal Reserve would keep interest rates unchanged for some time as the war with Iran fans inflation.

payrolls were settling down following volatility since mid-2025, partly attributed by economists to an adjustment to the birth-and-death model, which the government uses to estimate how many jobs were gained or lost because of companies opening or closing in a given month.

Weather, strikes and government job cuts as well as big changes to the labour force amid an immigration crackdown by President Donald Trump's administration also added to the wild swings, economists said. They recommended looking at the three-month moving average of payrolls, which was 48,000 in April. That was down from a monthly average of 72,000 during the same period last year.

Economists say uncertainty wrought by Trump's trade policy has constrained hiring. Trump's sweeping tariffs early this year were struck down by the US Supreme Court. The US Court of International Trade ruled on Thursday that a replacement of those duties was unjustified. Economists said it was too early for the effects of the US-Israeli war with Iran to show.

The conflict has raised gasoline and diesel prices as well as the cost of other commodities that are shipped through the Strait of Hormuz. Financial markets increased bets that the US central bank would not cut rates this year. The Fed last week left its benchmark overnight interest rate in the 3.50%-3.75% range, citing inflation worries.

The healthcare sector again led the increase in payrolls in April, adding 37,000 jobs, mostly at nursing and residential care facilities as well as home healthcare services, reflecting an aging population.

Transportation and warehousing employment increased by 30,000, boosted by demand for couriers and messengers.

Still, employment in the sector was down by 105,000 since peaking in February 2025. Retail payrolls rose by 22,000 jobs while the social assistance sector added 17,000 positions. Leisure and hospitality employment increased by 14,000 jobs.

But the federal government shed another 9,000 positions and employment is down by 348,000, or 11.5%, since hitting a peak in October 2024. The White House last year launched an unprecedented campaign to slash the federal workforce as it seeks to remake the government. But there has recently been a push in some agencies to rebuild staff levels. There were job losses in the information, manufacturing and financial activities industries.

Canada loses 112,000 jobs over four months, most since 2021

Bloomberg
Ottawa

The Canadian economy has shed 112,000 jobs so far this year, the weakest four-month stretch since the Covid-19 pandemic in 2021.

Employment fell by 17,700 in April while more people looked for work, pushing the unemployment rate up to 6.9%. Economists surveyed by Bloomberg were expecting an increase of 10,000 jobs and for the jobless rate to hold steady at 6.7%.

Although employment on a year-over-year basis was up 67,000, it plunged steeply over the first four months of 2026, with the losses almost entirely concentrated in full-time work, Statistics Canada reported on Friday.

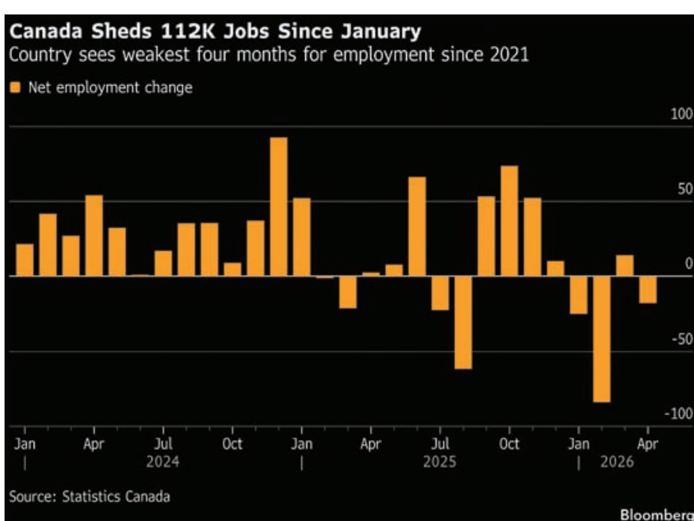
At the same time, the statistics agency said more people searched for work last month, growing the country's labor force but pushing up the jobless rate to its highest level in six months.

The loonie dropped versus the US dollar after the release, falling about 0.3% to C$1.3702 in Ottawa on Friday. Canadian bonds rallied across the curve, with the two-year yield down about eight basis points to 2.85%. Swaps traders pared their expectations of Bank of Canada tightening into the end of the year.

"The labor market is soft, consistent with an economy that's struggling to gain traction. This report is dampening rate hike enthusiasm, but the volatility in Canadian jobs numbers should be a reminder not to get too carried away on one report," said Benjamin Reitzes, managing director of Canadian rates and macro strategy at the Bank of Montreal, said in an email.

The cumulative decline in employment since January comes as US tariffs continue to loom over businesses and the war in Iran drives up global uncertainty, two forces that are expected to shape the Canadian economy this year.

The Bank of Canada highlighted in its most recent monetary policy report that those two dynamics could push the central bank to either raise interest rates or cut them, depending on whether inflationary pressures from the Iran war or domestic economic softness dominate.



"The BoC faces a tug-of-war on the direction of monetary policy," Charles St-Arnaud, chief economist at Servus Credit Union, said in an e-mail.

"This will keep the policy rate unchanged for an extended period. However, it is clear that the longer oil prices remain elevated, the more likely the BoC may need to hike rates."

Employment losses in April were concentrated in information, culture and recreation, construction and in other services — an industry that includes repair and maintenance as well as personal services.

Those declines were partially offset by increases in business, building and other support services, health care and social assistance as well as in accommodation and food services.

While employment was little changed across most industries on a yearly basis, there was a strong increase of 119,000 in health care and social assistance over that period.

Canada's population growth is slowing amid federal immigration curbs. In the coming months, labor force increases are expected to lose steam and help cap further rises in the unemployment rate, Andrew Hencic, senior economist at Toronto-Dominion Bank, said in a report to investors.

"With the labor market still soft, the ability of firms to pass on cost increases from the inflation shock to consumers is more limited," he said. "This is a key factor that underpins our view that if the sharp rise in oil prices begins to reverse in the coming weeks, the Bank of Canada will be able to stay on hold this year."

The jobless rate increased for youth by half a percentage point to 14.3%, which was virtually unchanged from a year ago but significantly above the pre-pandemic average of 10.8%. Core-aged men also experienced a higher unemployment rate, rising by 0.3 percentage points to 6.1%.

Meanwhile, wage growth has remained robust, increasing by 4.8% on an annual basis for full-time employees. That's down from 5.1% growth in March but close to economists' estimate of 4.7%.

However, the report noted wage growth was stronger for those who were earning more.

For employees in the bottom 25% of the wage distribution, wages grew by only 3.5%, while wage growth was fastest for those in the highest and second-highest quartiles, increasing by 4.8% and 4.9% respectively.