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# GULF TIMES BUSINESS



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European banks offload risk on \$500bn of corporate loans



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## Minister of state for foreign trade affairs meets with permanent secretary of Rwanda's ministry of trade and industry



HE the Minister of State for Foreign Trade Affairs at the Ministry of Commerce and Industry Dr Ahmed bin Mohammed al-Sayed met with the Permanent Secretary of the Ministry of Trade and Industry of the Republic of Rwanda Antoine Marie Kajangwe, who is visiting the country, reports QNA. The meeting discussed ways to boost co-operation on trade and investment between the State of Qatar and the Republic of Rwanda, in addition to touching on topics of mutual interest.

## Russia fails again to sell stake in UGC

Reuters  
Moscow

Russia has failed for a second time to auction the stake in gold producer Uzhuralzoloto (UGC) that it seized last year, the federal property management agency said on Tuesday, dealing a blow to the government as it seeks to ease budget pressures.

A Russian court ruled last July that a majority stake in UGC, previously owned by businessman Konstantin Strukov, should be seized and transferred to the state, part of a broader pattern of nationalisation of Russian corporate assets.

The latest auction follows an attempted

sale earlier in May, when no bids were received for Strukov's assets. The lot, with a starting price of 162.02bn roubles (\$2.2bn), included a 67.2% stake in UGC.

This time, the auction was declared invalid because only one bidder submitted a complete application and paid the deposit. A second contender, engineering company Russkie Ugli, failed to pay the deposit and provide the required documents, the agency, Rosimushchestvo, said in a statement.

The agency did not share further details on the bidders, but auction documents seen by Reuters show that the sole bidder was gold miner Pokrovskiy Rudnik. Gold producer Atlas Mining, which owns Pokrovskiy Rudnik, declined to comment.

# Festive demand lifts gold jewellery trade in Qatar

By Peter Alagos  
Business Editor

Jewellery shops in Qatar are witnessing brisk sales during the Eid al Adha holiday, with customers taking advantage of a modest dip in gold prices to make festive purchases, it is learnt.

Market data revealed that in Qatar, 24 karat gold was priced at "QR546.50" per gramme yesterday (May 26), easing slightly from the previous day. Retailers said the modest decline encouraged shoppers to buy during the holiday, reinforcing the seasonal demand pattern that typically lifts sales at this time of year.

Shopkeepers added that brisk activity was evident across popular gold souqs and malls, with many customers opting for traditional designs as well as lighter ornaments suited for gifting. "We see families coming in together, often buying sets for weddings or smaller pieces for children," one jeweller at Souq Waqif explained, noting that Eid remains one of the strongest trading periods of the year.

Gold staged a strong rebound in the previous session, gaining "1.35%" to settle at "\$4,570" per ounce, according to Vijay Valecha, chief investment officer at Century Financial. According to Valecha, the metal was trading "0.83%" lower at "\$4,532," reflecting cautious sentiment amid regional uncertainty.

Valecha observed that the



Jewellery shops in Qatar are witnessing brisk sales during the Eid al Adha holiday, with customers taking advantage of a modest dip in gold prices to make festive purchases

recent decline in oil prices over the past week had helped ease inflation concerns, "providing further support to bullion."

Despite the current pullback, Valecha maintained that "the overall technical outlook for gold remains positive." Prices continue to hold above a key ascending trendline support on the four hour chart that has been intact since May 19, he noted.

"As long as gold sustains above the crucial \$4,515 level, which falls on the trendline support, the intraday bullish structure remains valid, with expectations of a potential rebound from current levels," Valecha said.

He identified immediate resistance at the previous session high of "\$4,580," followed by the 50 day simple moving average at "\$4,648." Silver, meanwhile, was quoted at "\$76.49," down "2%," with support at "\$74" and resistance at "\$78.79."

Valecha also pointed to macro factors, including energy price movements, inflation expectations, and currency dynamics, as likely to keep prices well supported, even as near term volatility persists.

Analysts generally view bullion's safe haven role as intact, with investors and households turning to gold during periods of uncer-

tainty. For retailers in Qatar, the combination of festive demand and supportive market fundamentals has created a favourable environment. "Customers are buying during dips, and Eid has always been a strong period for jewellery sales," one shop manager pointed out.

He noted that while high prices remain a challenge for some buyers, the cultural significance of gifting gold during Eid continues to underpin demand.

Traders expect momentum to carry through the week, with many shops extending hours to accommodate the surge in foot traffic, the shopkeeper added.

# US consumer confidence edges down in May

Reuters  
Washington

US consumer confidence eased in May as worries about inflation linked to the war in Iran intensified and households' views of the labour market were largely pessimistic, though they anticipated an improvement by the end of this year.

The marginal drop in confidence reported by the Conference Board on Tuesday contrasted starkly with the release last week of the University of Michigan's Surveys of Consumers, which showed consumer sentiment plumbing record lows in May. Still, it was the latest sign of growing dissatisfaction with President Donald Trump's handling of the economy.

Trump won the 2024 presidential election in large part because of his promise to lower inflation, but US consumers have faced higher prices, first from his sweeping import tariffs and recently from the US-backed war with Iran. A Reuters/Ipsos survey last week showed Trump's presidential approval rating fell to nearly its lowest level since he returned to the White House in January 2025.

The darkening mood poses a challenge for Trump's Republican



A customer in a supermarket in Alhambra, California. US consumer confidence eased in May as worries about inflation linked to the war in Iran intensified and households' views of the labour market were largely pessimistic.

party as it seeks to retain control of the US Congress in the midterm elections in November.

"Americans are upset about high prices and trying to stretch every dollar, but they aren't as gloomy as they were during the Great Recession, the Covid recession or just after 'Liberation Day' last year," said Heather Long, chief economist at Navy Federal Credit Union.

The Conference Board said its consumer confidence index slipped to 93.1 this month from an upwardly revised 93.8 in April. Economists polled by Reuters had

forecast the index would drop to 92.0 from the previously reported 92.8 in April.

The labour market has a big influence on the index, while the University of Michigan survey is more sensitive to gasoline prices.

The decline in confidence occurred among consumers under the age of 35 as well as those 55 years and older. Consumers in the 35-54 age group were slightly more optimistic this month.

Households with annual incomes ranging from \$15,000 to \$39,999 experienced a sharp

decline in confidence. Lower-income households have been disproportionately impacted by gasoline prices, which have risen more than 50% since the war in late February.

The conflict has disrupted shipping in the Strait of Hormuz, straining global supply chains and boosting prices of a range of commodities, including oil and fertilisers.

The Conference Board noted that consumers' write-in responses on factors affecting the economy continued to skew toward pessimism.

"References to prices and oil and gas increased in frequency for a second consecutive month, while mentions of war, geopolitics, and conflict remained elevated - likely signaling consumers' underlying concerns about the inflationary impacts of the war in the Middle East on their wallets," said Dana Peterson, chief economist at the Conference Board.

Confidence was higher among consumers with annual incomes above \$100,000, likely reflecting the rise in net worth due to a stock market rally. Though the correlation between confidence and consumer spending is weak, economists cautioned that rising gasoline prices could pull spending from other goods and services.

# Germany, Canada set to sign major LNG deal

Bloomberg  
Berlin

Canada is set to announce a deal to supply Germany with liquefied natural gas from a planned export facility on the coast of British Columbia, according to people familiar with the matter.

The gas will be shipped from the Ksi Lisims project, a C\$10bn (\$7.3bn) floating export facility that has already received regulatory approval, said the people, speaking on condition they not be identified because the matter is still private.

The buyer is Germany's SEFE, the former Gazprom PJSC unit nationalised by the German government after the invasion of Ukraine.

The deal is expected to be announced today by Tim Hodgson, Canada's minister of energy and natural resources. Ksi Lisims LNG is backed by Blackstone Inc.-funded Western LNG, as well as Rockies LNG Partners and the Nisga'a Nation, an Indigenous group that owns the development land.

The project has not yet reached a final investment decision to start construction. The investor group is planning a facility capable of pro-

ducing 12mn metric tonnes a year of LNG - making it nearly as large as the first phase of LNG Canada, a Shell Plc-backed project that went into operation last year.

Officials with SEFE, Western LNG and the Canadian government declined to comment. Representatives for Rockies LNG Partners and the Nisga'a Nation didn't immediately respond to requests for comment.

Hodgson, speaking in a recent interview with Bloomberg News, said European nations are actively looking for a reliable supply of gas to replace flows from Russia and the Middle East, which have been disrupted by war.

European countries don't want to become overly reliant on American gas, Hodgson said - partly because of trade tensions with the Trump administration but also because they want the security of having a range of suppliers.

"We can be that alternative," Hodgson said. "We can be that reliable supplier who will not use energy for coercion." That could eventually take the form of LNG being shipped via Canada's east coast or through Hudson Bay in the north, but in the near term, "we have huge increases in supply coming off the west coast, which are music to their ears."



## US private credit contagion threat is small, but indirect risks remain

By Deborah Cunningham  
New York

Mounting concerns about private credit have made investors ask whether stresses in this opaque asset class could spill over into the broader US financial system.

While the threat of a liquidity crisis driven by private lending looks minimal, several potential secondary risk channels warrant close attention.

US private credit's rapid expansion and growing interconnectedness with the broader financial system mean that any stress is unlikely to stay fully self-contained.

As funds in the U.S. have scaled up, private lenders have relied more heavily on short-term funding, leverage, and operational links to traditional financial institutions. When looking for signs of stress, therefore, it makes sense to first examine money market funds (MMFs), which play a central role in short-term cash management. During the Covid-19 pandemic, MMFs served as a liquidity buffer amid the heightened demand for cash - and that buffer still appears intact. As of March,

MMF net assets stood at around \$8.3tn, a level close to historical highs and more than double their pre-pandemic size. In other words, there is no indication of any trouble brewing here.

That's unlikely to change even if US private credit weakness intensifies, at least via direct channels. MMFs consist of highly liquid, high-quality instruments, so private credit - an illiquid asset class - is not typically a core component of these portfolios.

The next - and arguably more important - lens to use to assess any potential vulnerabilities is the fundamental health of major US banks. Here too, the picture is broadly reassuring. Top-tier US banks continue to demonstrate solid fundamentals, supported by robust capital positions, sound liquidity buffers, and stable funding profiles. This is reflected in Common Equity Tier 1 (CET1) Ratios and Liquidity Coverage Ratios that remain comfortably above regulatory minimums. This contrasts sharply with the period leading into the 2007 to 2008 global financial crisis (GFC), when banks were far less well capitalised, liquidity positions were weaker and asset quality problems

were emerging. Recent stress testing appears to support that view. The Federal Reserve's 2025 stress test suggested that large US banks would remain well capitalised even under a severely adverse economic scenario, with projected capital declines notably lower than in previous stress tests. Based on the Fed's aggregate measure, the banking sector's CET1 ratio would decline by 180 basis points, materially less than the 280 bps and 250 bps declines projected in 2024 and 2023 respectively. Recent credit spread patterns have also not pointed to systemic stress or a broad repricing of bank credit risk - even during the weeks when private credit fears were spiking earlier this year.

High-quality banks' vulnerability to private credit weakness thus appears very limited, but there are several secondary channels that could expose banks - and by extension the broader financial system - to greater risk. Balance-sheet linkages between private-lending institutions and banks are one space to watch. Bank loans to non-depository financial institutions (NDFI) - a broad category including private credit funds and other nonbank lenders - have risen sharply to nearly \$2tn, up from

around \$1.23tn a year ago, according to the Fed.

That growth means the boundary between banks and private markets is more porous than it appears, raising the issue of whether stress in private credit could feed back into bank balance sheets through receivables or certain funding structures. Structured finance is another potential transmission channel. Some asset-backed securities - tranching instruments created by pooling loans or receivables, such as mortgages, credit card debt or auto loans - may carry indirect exposures to private-lending activity. The risk is that credit stress could be dispersed throughout these instruments' layered structures, making exposures harder to trace and potentially amplifying pressure if the value of the underlying collateral falls. History offers several reminders that institutions once regarded as "high quality" can come under pressure when risks become concentrated in specific asset types associated with lower credit profiles. Just look at Icelandic, Irish and

Italian banks during the GFC. This is why greater disclosure would be beneficial. Risks transmitted through secondary channels often emerge gradually, so to properly analyse market liquidity threats, one must be able to closely monitor the underlying credit risk. That analysis typically starts with fundamental credit research, combining quantitative indicators such as financial ratios and profitability metrics with qualitative factors including management quality and strategic positioning. Greater disclosure of banks' private credit exposure would help sharpen this assessment, particularly because the diverse links that banks and asset-backed securities groups have to private credit are typically housed under broad "non-bank financial" categories in their financial statements.

In an environment where risks can migrate rather than disappear, clarity itself becomes a source of stability.

■ The views expressed here are those of the author, executive vice-president and chief investment officer of Global Liquidity Markets at Federated Hermes.

## European banks offload risk on \$500bn of corporate loans

Bloomberg  
London

Banks are going big on a product that's drawing ever-closer regulatory scrutiny.

Lenders have stepped up their reliance on so-called significant risk transfer trades (SRTs), complex deals in which banks offload some of the default risk from their loan books to hedge funds and other investors.

SRTs are booming because they help banks free up capital and boost measures of profitability. But the fast expansion of the market is also prompting authorities to seek greater oversight - and to better understand what risks or contagion could emerge if bad loans surge.

"Rapid growth in SRT issuance naturally attracts regulatory interest, especially in a market lacking standardisation and transparency," said Bill Ledger, a consultant and former head of the credit portfolio group at JPMorgan Chase & Co.

"While regulators are clearly supportive of such trades, it feels appropriate they consider how banks are managing rollover risk, counterparty risk and the provision of financing to SRT investors," he said.

Data compiled by Bloomberg shows that about 11.1%, or \$509bn, of corporate loans at Europe's major banks were tied to SRT trades at the end of last year. This ratio has nearly doubled since 2022, when it stood at 6.2%.

The dollar total reflects the portion retained by banks after offloading their exposure to some loan losses.

Hedging European corporate loans through SRTs represents the largest and longest-established part of a broader market. Worth more than \$1.5tn, this also spans regions like North



A UniCredit branch in Milan. Data compiled by Bloomberg shows that about 11.1%, or \$509bn, of corporate loans at Europe's major banks were tied to SRT trades at the end of last year.

America and lending categories such as property and auto loans.

At some banks, the uptake has been even faster. One driver has been to free up capital to fuel growth - either via new lending or through takeovers.

At UniCredit SpA, which is seeking to buy Commerzbank AG in Germany, the ratio has surged to 14% from under 1% in three years. Austria's Erste Group Bank AG, which bought control of Banco Santander SA's Polish unit in its largest-ever acquisition, was another major SRT issuer last year.

Santander ended last year with SRTs hedging risks for 21% of corporate loans. The Spanish bank kept up a similar pace to 2025 in the first quarter of this year, offloading about €10bn (\$11.6bn) of risk-weighted assets via SRTs.

José García Cantera, the bank's chief financial officer, told investors in April that in-

vestor appetite had grown, despite broader market unrest.

"Familiarity breeds scale," said Frank Benhamou, head of SRT at Cheyne Capital Management UK LLP, a London-based investment firm. "The more comfortable issuers become with the product, the more systematically they incorporate it into their capital-management toolkit and the more they issue."

In an SRT, investors agree to shoulder some of the potential losses from soured debts. The agreements often protect banks against the first wave of bad debts in a loan book, and typically cover between 5% and 15% of the overall portfolio.

In return, buyers such as hedge funds, pension funds and private credit funds receive coupons that can top 10%. Deals are typically struck quietly with a single buyer or a handful of investors. A recent European Central Bank working paper identi-

fied 65 non-bank investors in SRTs. Together, this group holds nearly two-thirds of the SRTs that European banks issued from 2018 through 2024.

Most SRTs are so-called synthetic securitisations, where a bank keeps the original loans and effectively obtains insurance, often by issuing an instrument known as a credit-linked note. More than 1.3tn euros of assets - equivalent to about \$1.5tn - were synthetically securitised between 2016 and 2024, the International Association of Credit Portfolio Managers said in July. A smaller share of deals are traditional securitisations, in which loans are shifted off the bank's balance sheet.

European banks have taken the lead in using SRTs, encouraged by direction from regulators, including ECB guidance issued in 2016. US lenders such as JPMorgan Chase and Bank of America Corp have also issued

SRTs, but a shift toward looser capital US requirements has reduced banks' incentives to do more deals.

Trades often involve corporate loans, but banks are stepping up SRTs backed by mortgages, credit cards and other kinds of debt. SRTs based on loans to corporations or smaller businesses made up 47% and 14%, respectively, of all issuance in 2025, according to data compiled by Crescent Capital Group LP, a unit of Sun Life Financial Inc.

Aside from business loans, banks are most interested in issuing SRTs tied to commercial and residential property debt, auto loans and AI-related project finance, according to a Bloomberg Intelligence survey published in March.

Institutions such as the Bank of England, the ECB and the Bank for International Settlements have warned about potential dangers.

"Volumes are rising quickly, and when this happens the interconnections between banks and the non-bank financial sector deepen in ways that are not always fully mapped," said Pedro Machado, a member of the ECB's supervisory board, in a May 14 speech. While the market is functioning well, better data is needed, Machado said, adding that governance and risk management at banks must keep pace with the rapid growth.

One concern is whether banks might struggle to replace maturing SRTs if credit markets seize up. That could deter buyers, making SRTs so expensive that they are no longer worth issuing. A failure to roll over outstanding instruments could eat into capital ratios and encourage banks to cut back lending, potentially adding to strains on the economy.

## Warner boosts loan sale again, plans to repay \$15bn bridge

Bloomberg  
New York

Warner Bros Discovery Inc boosted a loan sale for a second time, a move that will allow the media giant to fully replace \$15bn of short-term financing.

A JPMorgan Chase & Co-led bank group increased the loan on Tuesday from about \$10bn, according to a person with knowledge of the matter. The offering was already bolstered last week amid strong demand for credit despite a volatile macro backdrop.

The dollar portion is expected to be between \$12.5bn and \$13.75bn, while the €1bn (\$1.16bn) tranche may potentially reach €2bn, said the person, who asked not to be identified because they're not authorised to speak publicly.

Warner Bros. is looking to refinance short-term debt ahead of its planned takeover by Paramount Skydance Corp. The larger size means all of the so-called bridge loan would be replaced, the person said.

A representative for JPMorgan declined to comment. Loans are typically repaid at par if ownership of a business changes.

On the Warner Bros debt, investors have an opportunity to buy the new loans at a discounted rate of 99 cents, which would allow them to make a quick profit if the sale to Paramount goes through. Commitments for both tranches are due on Wednesday, the person said.

The proposed financing comes ahead of the \$110bn consolidation of two of Hollywood's largest legacy media companies. In addition to the Warner Bros. loan currently being sold, Bank of America Corp and Citigroup Inc are preparing to sell about \$50bn of debt to back the acquisition, in one of the most highly-anticipated offerings of the year.

The debt package may include about \$30bn of high-grade bonds, around \$12bn of junk bonds, and \$7.5bn of loans, and may be sold to investors as soon as the next couple of weeks, Bloomberg previously reported. The buyout agreement, announced on February 27, capped a months-long battle between Paramount and Netflix Inc for Warner Bros.

## Wall Street's AI winner hunt leads to seasoning maker in Japan

Bloomberg  
New York

The beneficiaries of the artificial intelligence buildout are spreading far beyond technology high-flyers. Laura Lau found one in seasoning maker Ajinomoto Co.

The Tokyo-based company is best known for making monosodium glutamate, or MSG, a flavour enhancer used in soups and vegetables. Its lesser-known business, called Build-Up Film, or ABF, makes insulating film used to package high-performance semiconductors.

Lau, chief investment officer at Toronto-based Brompton Funds, bought Ajinomoto's shares in July, and then added more in October. The stock has gained 61% so far in 2026, on track for its best year since 1986.

"I call them WTF charts," she said of a collection of stock charts including Ajinomoto's which, on the surface, don't make a lot of sense.

It's the latest example that shows the second-order beneficiaries of the artificial intelligence

revolution are not confined to technology megacaps in Silicon Valley. As firms like Meta Platforms Inc, Alphabet Inc and Microsoft Corp spend hundreds of billions of dollars building out artificial intelligence infrastructure, Lau said she'd "rather be on the receiving end of the money rather than where it's flowing out of."

Ajinomoto holds more than 95% of global market share for insulating materials used in personal computers and data center servers, according to its website. The company said in its earnings report in May that the frozen food segment declined last fiscal year due to recalls, but the semiconductor film business posted "significant profit growth."

The film is "high-margin, high-moat business that acts as a powerful earnings engine for Ajinomoto, even if seasoning and foods remain the largest by revenue," said Lau, who is chief investment officer at the firm that oversees \$2bn.

It's one of the stocks her team has found as they seek second- and third-order winners from the AI buildout. Other areas Lau has been looking to include helium



producers since the noble gas is used to cool equipment in data centres.

So far, most Wall Street strategists have drawn relatively tight lines around which stocks are clear beneficiaries of the AI spending boom. A UBS basket of AI winners, for instance, includes primarily the Magnificent 7 firms developing the technology, chip-makers providing the hardware

and a handful of power producers.

But investors are now looking well beyond those groups, pushing farther afield into water utilities, European wiring firms and pipeline operators, to name a few. Earlier in May, Toto Ltd shares jumped 18%, the most on record, in Tokyo after the toilet maker said it plans to ramp up investment in its chip components business due to strong AI demand.

The search for second-derivative AI winners is also helping active managers beat their benchmarks in higher numbers than previous years.

Data compiled by Bank of America Corp show an "active opportunity set," with correlations between stocks in the S&P 500 Index falling to the lowest since 2018 and performance dispersion jumping to the highest since the financial crisis. The result: Some 43% of active large-cap funds are outperforming the stocks gauge so far this year, up from 29% in 2025 and ahead of the long-term average of 37% since 2000, the bank's data show.

"If you're an active manager and you're actually following the chip supply story or this AI buildout and getting it into fighting condition, that's also creating a little bit more dispersion in the market," Savita Subramanian, head of US equity and quantitative strategy at the bank, said by phone.

For many investors, the hunt for the next big winners means looking beyond the semiconductor stocks that have soared this year.

"I still think everyone is still focused on the chip makers," said

Stephen Kolano, chief investment officer at Integrated Partners.

The firm has been focused on finding "second- and third-derivative" winners of massive AI capex spending trends. Recently, that includes building positions in water utilities, like American Water Works Co and London-based Pentair Plc., to get ahead of rising demand for data centre cooling. He is also looking at what he calls under-appreciated upside in European names like Schneider Electric SE and E.ON.

Other examples include natural gas pipelines, which may see a surge in demand for gas to feed power plants built for AI data centers. "This is a value way to play AI," said Chris Gristani, chief market strategist at MAI Capital Management. The firm has been adding positions in Williams Cos and ONEOK Inc on the expectation that investors will eventually see similar upside in gas pipelines as they saw in high-flying, AI-linked power names like Vistra.

To be sure, many of the second- and third-order winners of the AI spending boom have yet to show the same kind of upside as semiconductors.



Stock market information displayed at the Taiwan Stock Exchange headquarters. Taiwan overtook India in stock market value, powered mainly by a breakneck rally in the world's largest chipmaker Taiwan Semiconductor Manufacturing Company.

# Taiwan overtakes India as world's fifth-largest stock market

**Bloomberg**  
Taipei

Taiwan overtook India in stock market value, powered mainly by a breakneck rally in the world's largest chipmaker Taiwan Semiconductor Manufacturing Co.

The island's market capitalisation climbed to \$4.95tn as of Monday, according to data compiled by Bloomberg. India's value has dropped to \$4.92tn. Taiwan's stock market is now the fifth largest in the world, behind only the US, mainland China, Japan and Hong Kong.

Taiwan's ascent up the global equity rankings is largely driven by TSMC, which now accounts for about 42% of the benchmark index, representing intense market concentration. The chipmaker's shares have rallied 46% this year as it has benefited from the artificial intelligence trade, in which its semiconductors have a dominant market position.

The surge in the island's market value highlights intense optimism in AI that is triggering a global rally in tech shares, disproportionately benefiting manufacturing hubs such as Taiwan and South Korea. India, on the other hand,

is grappling with surging energy cost, slowing corporate earnings growth and the lack of companies directly linked to the AI buildout.

"Taiwan's rising market capitalisation is fundamentally a reflection of its heavy concentration in tech hardware, which is currently at the center of the AI investment cycle," said Yi Ping Liao, a fund manager at Franklin Templeton. "Markets with limited exposure to tech hardware are increasingly being overshadowed by tech hardware-heavy markets such as Taiwan and Korea."

The Taiex Index fell 0.3% on Tuesday. The gauge remains among the world's best performers this year, having risen more than 50%. TSMC shares closed 1.7% lower.

New regulations are also in TSMC's favor. Taiwan's financial regulator last month increased the limit that domestic funds can invest in a single stock. Under the new guideline, funds that invest solely in Taiwanese stocks can hold up to 25% of their net assets in any listed company whose weighting exceeds 10% in the Taiwan Stock Exchange, up from a previous limit of 10%. Currently, only TSMC meets the criterion.

The change may help lure in more than \$6 billion of inflows

to TSMC, JPMorgan Chase & Co. said in a note.

While Taiwan has overtaken in market value, India's \$4.15tn economy — among the fastest growing in the world — still trumps the island's \$977bn gross domestic product, according to International Monetary Fund estimates.

Indian stocks have fallen this year amid record foreign outflows, driven by elevated valuations and a weakening rupee. Higher energy costs have also stoked inflation concerns and clouded growth prospects.

Global funds have sold nearly \$24bn of local equities so far this year as they chased the AI boom in Taiwan and Korea. India's gauge is down 8%, heading for its first annual drop after a decade of gains. India's weight in the MSCI emerging markets index has also fallen to about 12% from 19% last year.

"India has been quite ignored for the better part of two years," Alison Shimada, portfolio manager at Allspring Global Investments, told Bloomberg TV on Monday. "It is an expensive market so one has to be selective, but I think in terms of financialisation of savings, it is very prominent in India and people are moving into financial assets," she said.

# Most Asian bourses decline on US-Iran deal uncertainty

**AFF**  
Hong Kong

Asian stocks fell and crude prices diverged on Tuesday after fresh US strikes on Iran deflated optimism that a deal to reopen the Strait of Hormuz was imminent. In Tokyo, the Nikkei 225 closed down 0.3% to 64,996.09 points and Shanghai - Composite ended down 0.2% to 4,145.37 points yesterday.

The United States and Iran have been trying to reach a deal to end the Middle East war and reopen the crucial waterway since a fragile ceasefire on April 8. Stocks had rallied on Monday and crude futures contracts dropped below \$100 a barrel after reports a deal was on the cusp of being struck. But these hopes were dashed on Monday when US forces said they attacked missile sites in southern Iran and boats trying to lay mines. North Sea Brent, the international benchmark that establishes

pricing for a majority of globally traded petroleum, jumped more than three percent on Tuesday. US benchmark West Texas Intermediate meanwhile was down around 4%. Tehran and Washington have played down chances of striking a swift deal to end the war, which has pushed up energy prices and fuelled global inflation.

But top US diplomat Marco Rubio insisted on Tuesday that the blockaded Strait of Hormuz would reopen "one way or the other". Asian markets were mostly lower, with Tokyo, Shanghai, Singapore, Kuala Lumpur, Manila, Jakarta, Taipei and Sydney all down while Hong Kong was flat. Seoul was up more than 2.5% after opening at a record high over 8,000, as chipmakers, carmakers and shipbuilders continued to outperform. Bangkok and Wellington also advanced. In Europe, London climbed while Paris and Frankfurt dropped at the open. "The market's reaction remains

almost mechanical at this point," said Stephen Innes, an analyst at SPI Asset Management.

"Every incremental diplomatic headline involving Iran gets treated like another liquidity injection directly into risk appetite.

"Yet beneath the surface, the actual negotiations still resemble two traders standing on opposite sides of the pit pretending the spread has narrowed while the hardest legs of the trade remain unresolved."

Investors will this week also be monitoring how the US Federal Reserve reacts to key consumer inflation data and its potential effect on interest rates.

Higher prices triggered by the US-Israeli war against Iran will limit the likelihood of interest rate cuts by the Fed to boost US growth, many economists have warned.

Russia's war against Ukraine has also injected more geopolitical uncertainty, with Moscow saying on Monday it planned to launch more strikes on Kyiv following a major weekend assault.

# Emerging market assets show mixed trend

**Reuters**  
Singapore

Stocks in emerging markets (EM) were mixed on Tuesday and currencies weakened, as investors assessed US strikes on Iran a day after officials had raised market expectations of an imminent US-Iran peace deal. US Secretary of State Marco Rubio said negotiating a deal with Iran could "take a few days," quashing hopes for a more rapid end to the conflict as US forces conducted what Washington called defensive strikes in southern Iran.

Rubio had said on Monday the US would pursue diplomacy before considering other options, and Iranian officials were engaged in talks for a deal.

"It's frustrating because US officials are playing with markets and the narrative the way a cat plays with a mouse, and there is very little investors can do about it," said Ipek Ozkardeska, senior

analyst at Swissquote Bank. On Tuesday, MSCI's index tracking global EM stocks added 0.5% to hover near record highs, while the currencies gauge was flat.

The stocks index hit a record earlier this month, buoyed by rallies in tech-heavy Asian bourses, but eased from the levels due to uncertainty surrounding the peace deal. Korea's KOSPI, however, continued to draw support from tech enthusiasm, gaining 2.6% to a record high. Other major regional bourses, including in India and Taiwan, traded lower.

Investors have been worried about the health of Asian economies as they are heavily reliant on Middle East energy supplies.

These concerns have pushed Indonesia's rupiah to record lows against the dollar, while Sri Lanka's central bank stunned markets with an oversized 100 basis point increase to its policy rate, its biggest hike in three years. In the Middle East, Turkish stocks edged 1.3% lower and the cur-

rency fell 0.4%, set for its biggest intraday drop since July in a truncated trading session. Assets last week were volatile after an unprecedented judicial crackdown on Turkey's main opposition party.

South Africa's rand and local stocks fell 0.5% and 1.1%, respectively, partly tracking a dip in gold prices. Moody's revision of the gold-exporting country's outlook to 'positive' from 'stable' helped spark a rally on Monday.

Most currencies in emerging Europe were subdued against the euro. Hungary's forint weakened 0.5% ahead of a local central bank decision, where it was widely expected to hold rates steady.

Equities in Poland fell 0.2% and Romania were flat, while ones in Hungary were up 0.7%. Elsewhere, Senegal's President Bassirou Diomaye Faye named an economist as prime minister on Monday, three days after dismissing the old government that had spoken against debt restructuring.

# Sri Lanka surprises with big rate hike as EMs defend currencies

**Bloomberg**  
Colombo

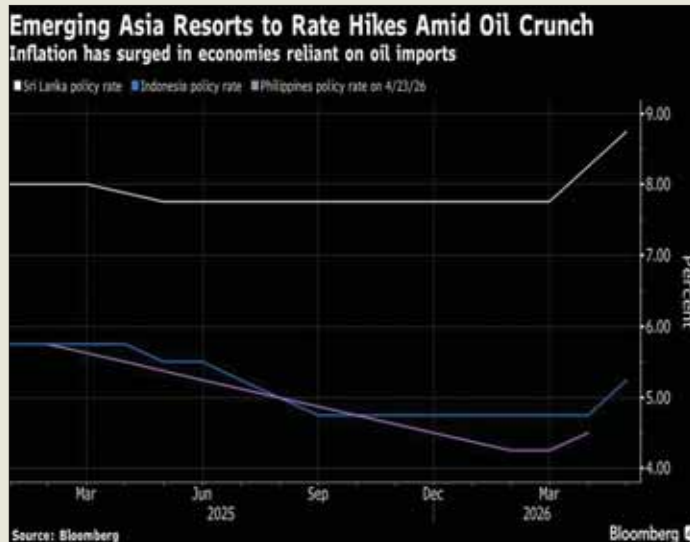
Sri Lanka is the latest emerging market to tighten monetary policy aggressively as an oil crisis triggered by the Iran war pushes currencies to record lows and threatens economic stability. The Central Bank of Sri Lanka raised its overnight policy rate by a full percentage point — its first monetary tightening in three years — to 8.75% on Tuesday. Bank Indonesia also unexpectedly delivered a half-point increase to its key rate last week. Other monetary authorities are expected to tighten policy as well. The Reserve Bank of India has pledged to curb speculation on the currency and is said to be weighing a possible rate hike next week, while the Bangko Sentral ng Pilipinas has signaled it may consider a large, off-cycle hike before its next scheduled meeting on June 18.

The moves underscore how the prolonged Middle East conflict is forcing policymakers to prioritise currency stability over economic growth as rising oil prices strain external balances.

Asia is reeling from a more than 40% surge in crude prices since the war broke out in late February, prompting central banks across the region to ramp up their currency defenses and stem capital outflows.

"Monetary policy tightening is increasingly being used as a strategy to fight against inflation and to curb currency depreciation," said Wee Khoo Chong, senior APAC market strategist at BNY.

The recent moves suggest interest rate hikes are becoming a broader regional response rather than a "one-off move," Chong said, adding that markets are now closely watching how the RBI and Bank of Korea respond to their recent bouts of currency weakness. The Indonesian rupiah, Indian rupee and the Philippine peso have



been among the worst-performing emerging-market currencies, falling between 4.5% and 6.5% since the war began. The Sri Lankan rupee has fallen nearly 4%, with the latest bout of appreciation

helping the currency move away from Asia's worst for the month so far. Beyond rate hikes, policymakers across Asia are deploying emergency steps to stabilise

currencies and preserve foreign exchange. Indonesia has unveiled plans to centralize strategic commodity exports to bolster the rupiah, while Sri Lanka has imposed steep import levies on vehicles, introduced fuel rationing and increased power tariffs to defend its rupee.

In India, officials sought to allay concerns about the economy after Prime Minister Narendra Modi called for austerity to save foreign exchange. Bangladesh, meanwhile, is seeking a fresh lending arrangement with the International Monetary Fund to tide through the mounting challenges.

Rising US Treasury yields have further dented the appeal of emerging-market assets. A stronger dollar is triggering capital outflows and also increasing the burden of servicing dollar-denominated debt.

Sonal Varma, chief economist for Asia ex-Japan at Nomura Holdings Inc, said many Asian central banks

are coming under pressure to raise interest rates as the energy shock drives both inflation and balance-of-payments stress.

"Policy responses will be differentiated across Asia," Varma said, depending on the role of fiscal policy in absorbing the shock, countries' starting growth and inflation conditions, and central bank mandates. Nomura expects policy tightening in the Philippines, Indonesia, Malaysia and Singapore, she added.

RBI will also likely need to deliver a rate hike next week as declining capital flows as the nation's BOP stress now looks to be "persistent, not episodic," according to Australia & New Zealand Banking Group.

"Pre-emptive rate hikes keeping future inflation at the core will constitute a strong signal to financial markets that have repeatedly tested the exchange rate and term premium, tightening financial conditions ahead of any policy shift," ANZ said in a report.

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# As Fed leashes bank examiners, Wall Street pushes for more wins

Reuters  
Washington

Wall Street banks are pushing the Federal Reserve behind the scenes to cement its new supervisory regime so the changes cannot easily be reversed by potential future Democratic administrations, said four people with knowledge of the matter.

As Republican President Donald Trump's regulators undertake the biggest overhaul of bank oversight since the 2008 financial crisis, they are sharply curtailing the use of "matters requiring attention," or MRAs, the primary tool bank examiners have long used to force lenders to fix risk management and control weaknesses.

Conscious that they have a rare opportunity to ease what they say has become a hostile and onerous regime, lenders are trying to lock in their wins.

They are urging the central bank to formally address legal ambiguity surrounding the softer process that has replaced MRAs, to put banks on a solid legal footing long term, and the Fed plans to give more clarity, said the people granted anonymity

to discuss private talks. The effort, reported here for the first time, shows Wall Street banks are already trying to future-proof the changes, anticipating Democrats skeptical of Wall Street will seek to reverse them - underscoring what some Fed-watchers say is the growing politicization of Fed supervisory and regulatory policy. Trump's Fed Vice Chair for Supervision Michelle Bowman, who is leading the changes, is "attempting to alter the supervisory culture of the Fed and to shift the power balance ... in favor of bank management," said Todd Baker, senior fellow at the Richman Center for Business, Law and Public Policy at Columbia University. Bowman has said supervisors are too bogged down by catching footfalls, or small missteps, and that her goal is to focus them on real risks, not to weaken oversight. A Fed spokesperson declined to comment.

An MRA is a confidential way for examiners to identify problems they find at banks and direct the firms to address them. If a firm fails to fix the issue, it could eventually escalate into a formal enforcement action and monetary penalties. Most large banks typically have to deal with numerous MRAs at any given time. In Octo-

ber, the Fed said it would reserve MRAs for material financial risks, and start leaning again on "observations," a tool the central bank scrapped in 2013, as a way to informally flag issues.

In a February memo, the Fed said it may also downgrade some existing MRAs to observations. While MRAs can lead to enforcement actions, observations are non-binding. Although banks have cheered the new approach, they believe observations are legally ambiguous and it is unclear how supervisors will respond if banks don't act on them, the sources said. They worry future Democratic Fed leaders may seize upon that ambiguity to escalate observations they believe have not been fixed, to MRAs.

Banks are pushing the Fed for explicit written assurances that supervisors will not do that, and only escalate observations to MRAs if the facts around the issue change, the people said. The Fed has said it will amend public 2013 documentation around observations, and that could provide more clarity, one of the people said.

Banks have long complained supervisors routinely resort to MRAs for minor issues and their overzealous use can distract management. Silicon Valley Bank,

they point out, had 19 open MRAs when it collapsed, most of which did not focus on the core issues that brought it down, a Fed post-mortem found.

MRAs became supervisors' primary cudgel after the 2009 crisis highlighted that lenders were mostly ignoring observations, leading the Fed to scrap them, according to two former officials familiar with the Fed's thinking at the time.

Arguing red tape is stymieing lending and the economy, the Trump administration is trying to steer softer bank rules and supervision, an effort that could gain steam under Trump's new Fed Chair Kevin Warsh. In addition to limiting MRAs, the Fed and other bank watchdogs have scaled back the number and scope of bank exams, and this month proposed overhauling the confidential bank rating system. Bowman has also announced plans to reduce regulation and supervision headcount by around 30%, leading to the exit of long-tenured staff, and has brought in her own people, including former veteran Wall Street attorney Randall Guynn, who was recently appointed director of supervision and regulation, Reuters reported.

Democrats say the changes are weaken-

ing financial system safeguards at a perilous time for the global economy, and some bankers expect a backlash if they take the White House in 2028. While it has become typical for the regulatory pendulum to swing between Republican and Democratic administrations, that dynamic has become "supercharged" as Trump's White House has asserted more control of the regulators, said Baker.

A White House spokesperson said the Trump administration is focused on "objective and measurable risks" to financial markets. Enshrining the supervision pullback in formal regulations would make them tougher to unravel, said legal experts, but Bowman must put rulemakings to a Fed board vote. While Republicans hold the majority, the central bank has historically strived for consensus, and the board's Democrats would likely dissent against such a move, according to industry officials.

Still, Bowman's lieutenants have been peeling back the curtain on supervision by publishing new operating principles for examiners, a move aimed at making the changes more durable, said one of the sources who has direct knowledge of the matter.

## BP ousts chairman Manifold over 'serious' governance concerns

Reuters  
London

BP has ousted chairman Albert Manifold with immediate effect, it said on Tuesday, citing governance and conduct issues, with four sources alleging aggressive and unacceptable behaviour towards colleagues. A BP spokesperson declined to give further details. Reuters could not immediately reach Manifold for a comment.

Just under eight months after he took office to help oversee a strategy revamp, Manifold's departure follows scandal and repeated leadership changes at BP. Less than three years ago, former BP CEO Bernard Looney was fired after lying to the board about personal relationships with colleagues.

With Manifold fresh in the job, Looney's successor Murray Auchincloss left abruptly in December, with no clear reason given for his exit. Former Woodside CEO Meg O'Neill was immediately announced as BP's fifth CEO since 2020 to accelerate the company's shift in focus back to oil and gas and away from renewable energy, a strategy change announced by Auchincloss early last year.

In a statement on Tuesday, BP said its board had unanimously decided that Manifold - who has had the backing of activist hedge fund Elliott, which has built up a stake of around 5% in BP - should no longer serve as chair and director with immediate effect.

"This follows serious concerns raised to the board related to important governance standards, oversight and conduct," BP said.

"Albert has helped bring a welcome focus and pace to BP's transformation. However, the board has been surprised and disappointed to learn of governance oversight and conduct issues it deems unacceptable and has taken decisive action," said senior independent director Amanda

Blanc. Blanc oversaw Manifold's appointment in October.

Four sources with knowledge of the matter, including one close to BP's board, cited alleged unacceptable and aggressive behaviour with different colleagues across the company as one reason for Manifold's ouster. One source said the board had received enough information following a whistleblower report to ascertain that there was a pattern of unacceptable behaviour.

Elliott declined to comment. BP shares were down almost 10% after the announcement and their trading briefly halted. They later pared some losses to trade down around 4%. An index of European energy companies was down around 0.1%.

Manifold, who had never held a job in the energy industry before BP, had made a name for himself as the chief at building materials producer CRH whose portfolio he reshaped. He also moved its primary listing from Ireland to the US and the share price rose. BP announced his appointment last year after years of share underperformance against its rivals had prompted persistent takeover and break-up speculation.

Under Manifold, BP's board shrank. Shell finance chief Simon Henry, who only joined BP in September, was among those leaving. In April, at BP's annual general meeting, the board failed to get two of its resolutions accepted by shareholders and Manifold's appointment as chair got less support than typical.

While the board stood united at the AGM, proxy adviser Glass Lewis said at the time Manifold was ultimately accountable for BP's decision to exclude a resolution filed by climate activist group Follow This and thus recommended a vote against him. His appointment was confirmed by around 82% of votes, which is below a typical tally near 100% for directors.

# ECB should raise rates in June, even if Iran peace deal is struck: Schnabel

Seeing signs of energy inflation spillovers; economic growth may turn out weaker than projected; bond yield volatility not concerning; markets see almost three rate hikes over the next year

Reuters  
Frankfurt

The ECB should raise interest rates in June, even if ongoing peace talks with Iran yield a deal, as the conflict has been far longer than projected and high energy prices are spilling into the broader economy, board member Isabel Schnabel said.

The European Central Bank has kept rates on hold for the past year, but it debated a hike last month as sharply higher energy costs pushed inflation well above its 2% target, and numerous policymakers have signalled a need for action.

"Given the size and the persistence of the current shock, looking through is no longer an option in my view," Schnabel told Reuters in an interview. "From today's perspective, I think a rate hike in June will be needed."

While the US has signalled progress in peace talks with Iran, Schnabel, a potential successor to ECB President Christine Lagarde next year, said the ECB may be past a point of no return because energy infrastructure has been damaged and high energy prices are feeding through to the broader economy.

"Even if the war ended today, a lot of damage has already been done to energy infrastructure and global supply chains," said Schnabel, a former university professor. "So, even then, I believe that a monetary policy reaction would be needed." "In terms of persistence, we have actually moved beyond the adverse scenario, which assumed a rapid normalisation of oil prices," she said.

Inflation hit 3% last month with further increases likely and policymakers worry that high energy costs will push up the price of other goods and services via second-round effects, setting off a hard-to-defeat inflation spiral.

Schnabel said some of these second-round effects may already be materialising, as indicat-



Isabel Schnabel, board member of the European Central Bank.

ed by a number of surveys, including the ECB's Consumer Expectations Survey, PMI data and the EU Commission's sentiment indicator.

"We are seeing increasing signs that the shock is spilling over to other parts of the consumption basket," Schnabel said.

Beyond June, the ECB should not commit to any policy step and should reassess its stance at every meeting based on data, Schnabel said.

Still, she pointed out that the ECB's own baseline projection included two rate hikes, a hint which may suggest that a single hike may not be enough.

Financial markets have fully priced in two hikes in the ECB's 2% deposit rate and see a roughly 50% chance of a third move over the next year. Economists are more cautious and see just two hikes, followed by a cut in mid-2027, a Reuters poll showed.

A key reason why ECB watchers see only gentle policy tightening ahead is that the euro zone economy remains weak and high energy costs could weigh on its expansion more than feared.

The European Commission last week predicted 0.9% expansion in 2026, a big slowdown

from last year and which still may be too optimistic.

"Given the high persistence of the shock, I believe that the negative impact on economic growth will also be stronger," Schnabel said. "We have seen a sharp decline in confidence indicators, especially among consumers."

"All of these imply downside risks to economic growth and upside risks to inflation," she added.

Schnabel, who is responsible for the ECB's market operations, said financial markets were taking developments in stride and the recent volatility in government bond yields was not concerning.

"The increase in bond yields in the euro area is mainly driven by an increase in inflation compensation," she said. "And this partly reflects an increase in inflation risk premia owing to heightened uncertainty about the future inflation outlook."

Regarding her future, Schnabel, whose term at the ECB expires at the end of 2027, said she would be ready to take over as president, if she was asked.

# Nokia's 140% rally turns AI comeback into valuation puzzle

Bloomberg  
Helsinki

A rally in Nokia Oyj is forcing investors to reconsider the company not as an old telecom-equipment stock, but as part of the infrastructure underpinning the artificial intelligence boom. Shares of the Finnish company have surged more than 140% this year, making it the fourth-best performer in the Stoxx Europe 600. The stock is at the highest levels since 2008, thanks to soaring demand for its optical equipment that's playing a bigger role in data centers. The rally has already transformed how the market values the stock. Its 12-month forward price-to-earnings ratio has more than doubled to about 36 times, from roughly 17 times at the start of the year. Yet the AI and cloud business behind much of the excitement still accounted for just 8% of group sales in the first quarter, underscoring the debate over how much future growth investors should price in today. With Nokia already trading on AI

sentiment, "the easy re-rating is gone," said Amanda Lyons, head of research at Energy Group Capital.

"The interesting question is whether there is a second leg." Shares of optical component makers have soared this year as investors search for fresh targets with exposure to the AI boom. In the US, Lumentum Holdings Inc. and Coherent Corp more than doubled. In Europe, Soitec and Aixtron SE have also posted strong gains.

Once known for its sturdy handsets, the iconic Snake game and a global mobile-phone market share that peaked at roughly 40%, Nokia has spent years as a symbol of faded technology eminence. The shares are still trading nearly 80% below their 2000 peak. Since selling its mobile phone business to Microsoft Corp in 2014, it has refocused to telecom infrastructure, a market with little growth predicted in the next 10 years as the 5G network buildout matures in many countries. Nokia's acquisition of Infinera Corp last year bolstered its positioning in optical networking, just as the rising use of AI tools require faster



and more efficient movement of data between computing clusters. The investment is bearing fruit already: AI-related sales grew by 49% in the first quarter. In April, it raised the guidance for the segments exposed to cloud customers. Nvidia Corp's \$1bn investment in Nokia gave investors another reason to see it as part of the AI infrastructure trade rather than just a legacy telecom-equipment supplier. Under the deal, Nvidia's chips will be used to accelerate Nokia's software for 5G and

6G networks, and Nvidia will explore ways to use Nokia's data centre technology in its own AI infrastructure. These wins have pushed some to rethink how Nokia should be valued. Morgan Stanley analysts, for example, said price targets based mainly on next year's earnings risk missing the bigger picture if AI-related demand supports growth over a longer period. They argue that a valuation approach giving more weight to future cash flows better captures that potential.

UBS takes a more segmented view. Its analysts said Nokia may be better assessed through a sum-of-the-parts framework, because investors are unlikely to apply the same multiple to its AI-exposed networking assets as they do to slower-growing parts of the business.

Analyst views have yet to fully catch up with the rally, with the average price target still 25% below the current price. Less than half of analysts tracked by Bloomberg rate the stock as a buy. For Nokia, its core business of mobile networks remains a big drag. It still accounts for over half of overall sales and commands a lower operating margin than the AI-exposed segment. It has struggled to grow for years due to a reduced spending budget at telecom carriers and key contract losses in the US. So should Nokia be seen as a legacy telecom stock or an AI winner? The answer is likely somewhere in between. But after this year's gains, the next leg may depend on whether its orders can broaden to more customers and if that will translate to better

profitability. With Nokia's products gaining traction among cloud providers, "that has helped fuel the idea that there may be a 'mini-Arista' and a 'mini-Ciena' inside Nokia," said BNP Paribas analyst Jakob Bluestone, referring to US-listed Arista Networks Inc and Ciena Corp. That said, "the old Nokia has not disappeared either." Nokia trades at a more than 50% discount to Ciena on a 12-month forward price-to-earnings basis. Ciena gives investors a more direct way to play optical-networking demand from AI and cloud spending. At Nokia, the same exposure is still only part of a broader group. Given the AI part of the business is already priced for strong growth, the risk is that the market becomes over-supplied over time, just like other capital cycles in history, said Sondre Solvoll Bakketun, a portfolio manager at Skagen Vekst. "As fundamental investors, we see less attractive risk/reward where the stock is currently priced and have scaled back our position significantly over the last few months," he said.