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Dollar's May rally leaves Wall Street strategists wary of more gains

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BROAD PUSH | Page 2

China to broaden digital yuan footprint at home and abroad

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COMMERCIAL BANK

Resilience based on trust anchors Qatar's retail stability, says industry expert

By Peter Alagos
 Business Editor

Qatar's strong social contract between residents and authorities has ensured stability in the retail sector amid ongoing regional tensions, a top official of a regional hyper-market chain has said.

Dr Mohamed Althaf, director of LuLu Group-Global Operations & CSO, emphasised that confidence in government institutions and defence capabilities prevented panic buying and irrational consumer behaviour.

He explained that residents trusted the government and its institutions to safeguard their welfare, which meant they did not resort to panic buying or hoarding. "People trust the government, the security, and Qatar's defence forces, so there was no panic, especially in the period after February 28," he emphasised.

"This environment of trust," he continued, "allowed businesses to plan prudently and avoid disruptions." When consumers remain calm, retailers and suppliers can make decisions that are measured rather than reactive, Althaf pointed out.

"Once the stress is removed from the situation, we can all plan carefully. We know there are challenges, but decisions can be well thought out and prudent," Althaf noted.

He also pointed out that Qatar's resilience has been tested repeatedly during the pandemic, regional conflicts, and the Ukraine war. Each crisis, he said, demonstrated the country's ability to withstand external shocks while maintaining stability at home. "This has been the best resilience and trust test, and Qatar came out on top," he stated.

Althaf added that the absence of panic buying reflected a high level



Dr Mohamed Althaf, director of LuLu Group-Global Operations & CSO.

of confidence among residents. He observed that people did not rush to make last-minute purchases or irrational decisions, which reinforced the sense of stability. "You will not find people buying in panic or making last-minute decisions. We have a very high trust environment," he reiterated.

He stressed that the country's ability to maintain normalcy despite external shocks demonstrated its preparedness, explaining that daily life continued "largely uninterrupted," with facilities open and services functioning.

"Life is close to normal. Facilities are open. Look at the protection the country has managed to provide for its residents, their properties, and businesses," he further stated.

Althaf emphasised that trust in institutions remains central to Qatar's resilience. He said residents believed in the authorities and institutions, "and this confidence enabled them to continue with their lives even during times of tension."

"Residents believe and trust the authorities and institutions. If

there is a missile attack, people are worried, but they continue to live," he said.

He pointed out that this confidence is what sets Qatar apart: "We continue to live because we know that in all cases, someone is working very hard to protect us, and they are sincere about it."

Althaf also explained that consumer spending on daily necessities remains strong. "On daily essentials, food, and similar products, demand remains robust, and people are spending money," he said.

He noted that while some sectors experienced declines, these were not driven by economic weakness. "The purchases we have not seen are not due to economic reasons. They are linked to the geopolitical situation," he emphasised.

Travel retail, in particular, was affected as fewer residents travelled abroad. "Travel retail took a big hit because people were not travelling home frequently," he explained.

He pointed out that the resilience of local demand reflects the strength of Qatar's consumer base and the ability of the retail sector to adapt. "The local demand is still very resilient," he said.

He emphasised that the sector's performance demonstrates continuity despite external shocks. "We still see people coming and buying food products," he noted.

According to Althaf, Qatar's retail sector remains anchored by consumer confidence in essentials. "Our sector may not be the perfect indicator, but we continue to see people purchasing food products," he said.

He stressed that this resilience is a key factor in maintaining business continuity. "Despite the challenges, demand for essentials remains strong, and that is a reassuring sign for the sector," Dr Althaf added.

QCB governor meets Apollo Global CEO



The Qatar Central Bank Governor HE Sheikh Bandar bin Mohammed bin Saoud al-Thani, who is also chairman of the Qatar Investment Authority (QIA), met yesterday with Marc Rowan, the CEO of Apollo Global Management, to discuss the latest developments in global finance and investment.

Saudi contractor's owners are seeking up to \$800mn in Riyadh IPO

Bloomberg
 Riyadh

Saudi Arabia's Mutlaq al-Ghouri Contracting Co's shareholders are seeking up to 3bn riyals (\$799mn) in a Riyadh initial public offering, in what would be the Gulf's first major listing this year.

The contractor's owners are offering 240mn shares, representing a 30% stake, between 11 riyals and 12.5 riyals (\$2.93 to \$3.33) apiece, according to a statement on Sunday. At the top end of the range, MGC, as the company is known, would be valued at 10bn riyals.

The deal would mark the Gulf's first large IPO this year and the first since the outbreak of the US-Israeli war on Iran that led to the closure of the vital Strait of Hormuz. Iran retaliated against Gulf countries and struck energy infrastructure across the region.

Saudi Arabia's equity markets have outperformed during the war, supported by higher oil prices and more diversified oil export routes.

The kingdom has seen only two small listings on its main market so far this year, but both are trading above their offer prices. Information technology services firm Dar Albalad



A Saudi woman walks at the Saudi stock market (Tadawul), in Riyadh (file). Saudi Arabia's equity markets have outperformed during the war, supported by higher oil prices and more diversified oil export routes.

for Business Solutions Co and miner Saleh Abdulaziz Al Rashed & Sons Co are up about 32% and 4%, respectively, since listing. The backdrop in Saudi Arabia represents a sharp turnaround from the start of the year, when the kingdom's bourse lagged regional peers and its IPO market faltered amid valuation concerns. In neighboring UAE, which had borne the brunt of Iranian attacks, several listings risk being delayed or postponed because of

the uncertainty. Riyadh-based MGC was established in 1977 and delivers water and transport infrastructure projects, according to the offering's prospectus. The company reported 420mn riyals in profit for the six months ended 2025, with a net profit margin of 28.1%. Bloomberg News reported on MGC's plans to go public last August. Al Rajhi Capital and Morgan Stanley are financial advisers on the transaction.

China factory activity worsens in May in warning sign for economy

Bloomberg
 Hong Kong

China's factory activity slowed in May as disruptions from a five-day break added to pressures on global demand and input costs from the continuing conflict in the Middle East.

The official manufacturing purchasing managers' index fell to 50 from 50.3 in April, the National Bureau of Statistics said on Sunday. The median estimate of economists surveyed by Bloomberg was 50.

The non-manufacturing measure of activity in construction and services rose more than forecast to 50.1 from 49.4 last month, the statistics office said. A reading below 50 indicates contraction. China's economy is showing signs of faltering after a strong first quarter. Growth slowed across the board in April, with industrial production and retail sales posting their weakest gains in years, prompting economists to

call for stronger policy support. In a sign Beijing is heeding the call, China's central bank let the interest rate on a one-year policy loan to banks decline to a record in May. China also issued a plan to open up public services like schools and health care in cities, potentially expanding access for migrant workers as part of a broader effort to boost living standards and consumer spending.

Chinese exports have continued to surge this year despite the war in Iran, after reporting an unprecedented trade surplus of \$1.2tn in 2025. Shipping volumes so far in 2026 are mostly staying above last year's record-setting levels, thanks in part to demand driven by investments in data centers and power equipment to support a global AI buildout.

Goldman Sachs Group Inc and Nomura Holdings Inc estimate China's overseas sales of semiconductors, computers and other products related to artificial intelligence accounted for about half of

its export growth in April. The surging demand for AI-related goods along with a global oil shock from the war in Iran caused China's export prices to rise at the sharpest pace in three years last month. But the yuan's continued strength is exerting pressure on the country's exporters on a scale rarely seen in recent years. Almost a quarter of some 5,500 firms listed onshore flagged foreign-exchange losses or cited currency swings as major drivers of higher financial costs weighing on profits, according to data compiled by Bloomberg from first-quarter earnings reports. That share is the highest in at least a decade.

A closely watched summit between Donald Trump and Xi Jinping yielded few breakthroughs, but two new committees on trade and investment could mean more business opportunities for Chinese manufacturers. The US-China Board of Trade seeks to lower tariffs on at least \$30bn of goods coming from each country, according to China's commerce ministry.



A worker wearing a face mask works on a production line manufacturing bicycle steel rim at a factory in Hangzhou, Zhejiang province, China (file). China's economy is showing signs of faltering after a strong first quarter. Growth slowed across the board in April, with industrial production and retail sales posting their weakest gains in years, prompting economists to call for stronger policy support.



China to broaden digital yuan footprint at home and abroad

- China incentivises banks to boost digital yuan use in trade, fiscal spending
- Digital yuan faces hurdles abroad, with limited overseas adoption
- Local governments pilot salary payments, healthcare disbursements using e-CNY
- PBoC considering a clearinghouse for digital yuan transactions

Reuters
Hong Kong

China's central bank is making a broad push to increase the use of digital yuan at home and abroad, several industry sources said, setting Beijing on a different – and potentially competing – path from the US in shaping the future of money.

In a series of measures, many revealed here for the first time, the People's Bank of China (PBoC) is giving banks policy incentives and behind-the-scenes directives to expand the use of digital yuan, also known as e-CNY, in areas ranging from lottery draws to green electricity charges and fiscal spending.

Banks are also being pressed to grow digital yuan use in cross-border transactions, particularly along Belt and Road Initiative routes, with lenders racing to develop compatible products including loans, letters of credit and bills, the sources said.

All the sources declined to speak to the media. The PBoC did not respond to Reuters' request for comment.

China's bet on the digital yuan is in stark contrast with the US, where President Donald Trump has embraced stablecoins while banning domestic circulation of central bank digital currencies.

Some of the industry sources said Beijing's move is partly driven by a desire to reduce its dependence on a global payments system dominated by Western institutions and anchored to the dollar as the world's reserve currency.

The digital yuan serves as a technological backstop, helping ensure China's international trade flows continue uninterrupted during future geopolitical shocks, a concern underscored by external instability linked to the Middle East war, one of the industry sources said.

"The war has exposed the risks of dollar weaponization, highlighting the urgent need for de-dollarization among Middle East oil producers," brokerage China Securities Co wrote in a report, saying the Iran conflict is accelerating yuan internationalisation.

As a result, the yuan's global influence could expand "from trade into the realm of geopolitics," it wrote.

To be sure, the digital yuan is starting from a low base and faces structural limits on how far it can expand.

Cumulative digital yuan transactions had reached 16.7tn yuan (\$2.47tn) as of November since its 2019 debut, according to the latest official data, compared with 279tn yuan in China's Union-



China's official app for digital yuan is seen on a mobile phone placed in front of an image of the Chinese flag in the illustration. China's central bank is making a broad push to increase the use of digital yuan at home and abroad, several industry sources said, setting Beijing on a different – and potentially competing – path from the US in shaping the future of money.

Pay card transactions in 2025 alone. In cross-border digital payment, "China and the US are the two engines for the global economy and they're both pushing their own standards," said Xin Yan, CEO of Sign, which builds digital infrastructure for governments and institutions.

China's digital yuan is more compatible with the banking system but "it is not friendly for foreigners," Xin added.

The latest push gained momentum after China earlier this year began allowing interest payments on digital yuan holdings in a major policy shift. In April, authorities more than doubled the number of authorized operating banks to 22.

The move effectively turns the digital yuan into an on-balance sheet deposit liability for banks, significantly boosting their incentive to promote adoption as it counts toward deposit assessment targets and enables development of more credit and wealth management products, industry sources and analysts said.

A fintech industry insider who provides IT services to banks said that although progress had been slow in recent years, the Chinese government appears "serious this time" about driving broader adoption of the digital currency.

Digital yuan deposit balances and account numbers are now key metrics in how banks are evaluated, the person said, adding that the goal is to build critical mass and an ecosystem that pulls in broader participation.

To boost domestic usage, the PBoC is testing applications using "smart contracts" – embedded programs that trigger automatic payments when predefined conditions are met.

Pilots include lottery draws, prepaid cards, gov-

ernment fiscal spending and supply chain financing, the industry sources said.

Authorities are also testing the digital yuan to curb medical insurance fraud and track green electricity consumption, leveraging its ability to trace money flows with precision, said the sources.

Local governments have set numerical adoption targets and are piloting internal use cases including salary payments and healthcare disbursements, one person at a payment company said.

The PBoC is also considering establishing a clearinghouse similar to China UnionPay to process digital yuan transactions among all operating banks and improve efficiency, sources said. These uses have not been previously reported.

The digital yuan is unlikely to disrupt retail payment behaviour dominated by Alipay and WeChat Pay, with its ultimate purpose focused on international settlement between enterprises, the industry sources said. However, expanding abroad poses even greater challenges.

Zhou Xiaquan, an official at Shanghai's Financial Commission Office, said the city is encouraging institutions to adopt mBridge, a central bank-backed platform linking China, Hong Kong, Thailand, the United Arab Emirates and Saudi Arabia.

He noted at a conference last month that related business applications already span trade in goods and services as well as shipping insurance.

Cross-border payments with ASEAN countries are a major priority, one of the industry sources briefed on the regulators' thinking said, though a key obstacle is that overseas counterparties have shown limited enthusiasm for adopting the digital yuan.

EU weighs temporary freeze on Russia oil price cap over Iran

Bloomberg
Brussels

The European Union is considering a temporary freeze to its price cap on Russian oil as the war in the Middle East continues into a fourth month, said people familiar with the matter.

The bloc adopted a dynamic mechanism last year to ensure that the price cap is automatically set every six months at 15% lower than the average market rate for Russian Urals crude. The current price threshold is \$44.10 per barrel and is due for review later this summer.

Under the cap, European firms are banned from providing services such as insurance and transportation involving oil sold above the threshold.

Oil prices have soared as a result of the Iran war and the effective closure of the Strait of Hormuz. The next price cap review in July would likely see the level rise to at least \$65, higher than the previous \$60 threshold set collectively by the Group of Seven, said the people, who spoke on condition of anonymity to discuss private deliberations.

The freeze would keep the price cap at the current rate, thereby limiting the windfall Russia is pocketing from current high oil prices. Other options under consideration include suspending dynamic and automatic increases until the end of the year in light of the exceptional circumstances in the Middle East, or capping any rise to \$60 back in line with the G7 level, the people said.

The bloc adopted a dynamic mechanism last year to ensure that the price cap is automatically set every six months at 15% lower than the average market rate for Russian Urals crude

The move would be part of the EU's latest sanctions package, the bloc's 21st since Russia's full-scale invasion of Ukraine in 2022.

The EU aims to finalize and formally propose a package of new measures in early June. Member-state envoys were briefed on the plans last week.

Other measures under discussion for the new sanctions package include targeting more banks, oil traders, refineries and crypto operators in third countries used by Moscow to circumvent the bloc's restrictions. As well, about 20 additional tankers would be sanctioned in the covert fleet of vessels that Russia depends on to move its oil, and eventually that regime would be extended to ships carrying liquefied natural gas, limiting the Kremlin's ability to create a shadow fleet for LNG. The EU has so far sanctioned hundreds of vessels and intends to also target ships providing services to the tankers, the people said.

However, the new sanctions are unlikely to include a full ban on maritime services. Several member states continue to oppose that option due to the volatility in the Middle East, and unless the measure is backed by the wider G7.

The main goals of the new package, the people said, are to further tighten the screws on Russia's energy revenues and its financial sector, as well as starving its military industry of essential supplies. Sanctions require the backing of all member states before they're adopted, and plans could change before that.

Maritime nations such as Greece have often bristled at price-cap changes, while other capitals are particularly sensitive toward what they say are their energy and trade interests.

Other proposals for the next package include trade restrictions on some critical minerals, metals and ores used in Russia's aerospace sector and to develop the drones it uses to bomb Ukraine's cities, as well as technologies such as jamming.

The bloc is also considering export controls on about two dozen firms, including companies in China, India, Turkey and Central Asia, that are allegedly still supplying Russia with restricted goods found in weapons or needed to make them.

Bloomberg QuickTake Q&A

What to know about SpaceX IPO, seen to be a market spectacle

By Anthony Hughes

Elon Musk's SpaceX is poised to have the largest stock-market debut in history when it holds its initial public offering in June. SpaceX is aiming to raise as much as \$75bn in the listing, more than twice the previous record holder, at a valuation of at least \$1.8tn. The IPO is expected to be a market spectacle as investors get a chance to buy into Musk's vision to create a combined space and AI powerhouse. His long list of growth plans – including putting data centers in space – are hugely ambitious but also come with high costs, significant risks and could take many years to come to fruition. Here's what to know about the planned SpaceX IPO.

Why is SpaceX going public?

Even though SpaceX generates significant cash flow, largely from Starlink, its satellite-based internet broadband service, the company requires a lot more money to fund its biggest ambitions. The public filing unveiled on May 20 stated that IPO proceeds will be used, among other things, to expand the company's AI computing infrastructure, enhance its space infrastructure and rockets and boost its satellite constellations. SpaceX could have opted to continue raising capital in private markets rather than going public. But the company's funding needs appear to have risen substantially with the acquisition in February of xAI, which is burning through around \$1bn of cash per month to cover the cost of computing infrastructure including training its AI models, according to people briefed on the company's financials.

IPO paperwork shows that SpaceX's AI segment, which includes xAI, had an operating loss of \$6.4bn last year and nearly \$2.5bn in the first three months of 2026. That said, SpaceX just entered into a deal in which Anthropic PBC will pay it \$1.25bn per month through May 2029 for AI computing capacity.

In addition, being a public company with the ability to tap the broader market for funds could help SpaceX's AI business raise money faster than rivals OpenAI

and Anthropic before they go public themselves, as they all spend hundreds of billions of dollars on their AI dreams.

How has SpaceX become a dominant force?

The company has morphed from a relative underdog in the space industry to an aerospace behemoth that receives billions of dollars in government contracts and serves as a backbone for the US space program. In addition to its rocket launch business, SpaceX owns Starlink, which has become the company's main cash flow generator. Following the all-stock acquisition in February of xAI, SpaceX also owns Grok, a money-burning operation whose flagship product is an AI assistant. X, the microblogging site previously known as Twitter, rounds out its portfolio of businesses.

As a result of the xAI deal, the company has increasingly become a bet on AI.

In fact SpaceX said that AI represents \$26.5tn of the company's quantifiable total addressable market, or maximum revenue, of \$28.5tn, by far the largest in history, according to the filing.

What valuation and deal size is SpaceX expected to target?

A listing for SpaceX to raise as much as \$75bn would shatter the previous record set by Saudi Aramco's \$29.4bn IPO in 2019. The big question is whether a valuation as large as \$1.8tn can be sustained in public markets. Analysts value companies based on their future earnings and growth, as well as industry competition and profit margins. But valuation isn't a pure science. Especially in bullish market conditions, investors are sometimes prepared to pay up for a company's shares based on something other than fundamentals. Some might see the seemingly vast potential of SpaceX's space businesses as justifying a higher price than the company's current financials would ordinarily support. But the challenges surrounding the xAI business could dampen the appeal.

What's the IPO timeline?

SpaceX filed confidentially for an IPO at the end of March, kicking off a review by the



A 3D-printed miniature model of Elon Musk and a SpaceX logo are seen in the illustration. SpaceX is aiming to raise as much as \$75bn in the listing, more than twice the previous record holder, at a valuation of at least \$1.8tn.

US Securities and Exchange Commission. The company's public filing revealed SpaceX's financials in public for the first time. SpaceX is expected to start formal marketing of its IPO as soon as June 4 and to price as early as June 11, Bloomberg News has reported. Once pricing is decided, the shares will begin trading the next day.

How is Wall Street preparing?

The sheer size of the offering, unprecedented for Wall Street, has bankers lining up to help SpaceX go public. The filing revealed 23 banks are working on the IPO, led by Goldman Sachs Group Inc, Morgan Stanley, Bank of America Corp, Citigroup Inc and JPMorgan Chase & Co.

Who gets in?

Once the price range is set, banks involved in the offering will take orders for shares from institutional investors. At the same time, ordinary investors will be able to put in orders via brokers. Some of the millions of these everyday investors who use popular trading platforms such as Robinhood Markets Inc, SoFi Technologies Inc and Morgan Stanley's E*Trade unit will be able to place orders directly through their platforms. The day before the shares begin to trade,

SpaceX and the banks will agree on the final share price that initial investors will pay and the number of shares to be sold. In deciding the price, SpaceX and the banks will have to balance what's best for existing shareholders, who want to limit reducing their stakes from the issuance of too many shares, and new investors who want access to shares and are hoping for some early gains to justify their investment.

Are there pitfalls to going public?

For SpaceX, the downside of having an IPO is that the company will have to publicly report its financials every quarter and answer to Wall Street analysts and public investors. Its plans also could be disrupted if its stock price is volatile or falls sharply in reaction to bad news.

How might the xAI deal affect SpaceX's IPO?

Not everyone is pleased that SpaceX has opted to buy xAI ahead of the IPO. That's because xAI is burning a lot of cash, potentially diluting the appeal of SpaceX's other businesses, especially Starlink. Investors who thought they owned a space company now have a big exposure to AI, and for those with a bearish take

on the sector, they would suddenly be shouldering another potential loser from the high-stakes race to dominate that business. If SpaceX is viewed as an unwieldy conglomerate, it might translate into a lower market value than the company is hoping for. SpaceX also faces intense competition in AI. OpenAI is planning to go public later this year, and Anthropic might be close behind. The private valuations of both companies already have soared into the hundreds of billions of dollars and look poised to top \$1tn as public companies.

How would a SpaceX IPO affect Musk's control of the company?

The public filing confirmed that Musk tightly controls SpaceX, with 85.1% voting control, mainly because he owns most of the company's super-voting Class B shares. The filing also revealed a super-voting share plan that would allow Musk, the Tesla Inc co-founder and world's richest person, to keep SpaceX under his control. Investors enthralled by SpaceX's potential and Musk's track record likely aren't bothered by this, but it could present problems if something went wrong and investors wanted a change at the helm.

How is Musk pitching SpaceX to IPO investors?

Central to the pitch is that SpaceX will be a top player in AI if it's able to use data centers in space to enormously scale up its computing capacity. That could be a tough sell to investors as Musk rebuilds the company's AI business from the ground up. Still, it already dominates the commercial space industry, and has seemingly vast growth potential and links to industries such as defense and telecommunications. SpaceX also has a potential cash cow in Starlink, with its global high-speed internet service, and a competitive advantage in the rocket launch business that it plans to grow with its massive Starship rocket. To get investors to buy into SpaceX's huge valuation, Musk will also look to tap into his cult status and track record with the many investors who profited from owning Tesla shares, which have surged around 3,000% in the past decade. For the IPO, that might be the best advertisement of all.

Tin re-balances but investors are still betting on scarcity

By Andy Home
London

What will tame the wild tin market? The smallest of the London Metal Exchange (LME) base metal contracts continues to defy market gravity. LME three-month tin is trading at \$55,225 per metric tonne, close to the all-time high of \$59,040 reached during the frenzied cross-metals rally in January. To put that into context, the previous record was \$51,000 per tonne in March 2022, when metals prices surged in reaction to Russia's full-scale invasion of Ukraine. The London tin price is up by 36% since the start of the year. The next best performer is aluminium, which has risen by 23% and is experiencing an unprecedented supply shock after the loss of Gulf production due to the Iran war. Tin supply, by contrast, is stable right now relative to recent years. LME stocks have

been rising. LME time-spreads say there's no shortage. So how come the price of the soldering and packaging metal is still trading at such historically elevated levels? Tin supply has no direct exposure to the war in the Gulf, unlike aluminium, nickel and copper. Global mine production is on course to grow by a healthy 8.7% this year, according to the International Tin Association (ITA). Myanmar's Man Maw mine is gradually returning to life after a prolonged absence. Production at the Bisie mine in the Democratic Republic of Congo is stable after last year's brief closure due to encroaching M23 insurgents. China's imports of tin concentrates are running above 15,000 tonnes per month for the first time since 2023. Refined production is taking time to catch up, with projected global growth of 2.7% this year, according to a presentation at LME Asia Week given by ITA market analyst Huanbo Qin. Consumption, however, is forecast to fall

by 0.7%, reflecting a slowdown in Chinese solar installations, the broader impact of the Iran war on consumer appetite for electronic goods and historically high pricing. The market's fundamental landscape is shifting towards supply-demand balance. Progress is clear to see in the form of rising visible exchange inventories. LME stocks are up by 60% since the start of the year at 8,660 tonnes. Including LME off-warrant and Shanghai Futures Exchange (ShFE) inventory, global exchange stocks are close to 20,000 tonnes, compared with 11,000 tonnes as recently as October. By comparison with the volatile outright price, LME time-spreads are trading sideways in comfortable contango. None of which seems to have deterred investors looking for more price upside, particularly on the Shanghai market. January's metals fever has abated but it hasn't yet broken. ShFE tin trading activity remains red hot.

Daily volumes on the Shanghai tin futures contract have averaged 345,000 contracts so far this month. That's the equivalent of the global primary refined tin market being traded every day. Tin options activity has mushroomed with volumes more than doubling year-on-year to 8.6mn contracts in January to April. Funds have trimmed bullish bets on the LME but remain collectively long to the tune of 2,414 contracts, equivalent to just over 12,000 tonnes. Speculative interest in tin experienced a step-change early last year, when the bullish news was arriving thick and fast. Tin has also been pulled into the "internet metals" investment meme along with silver and copper. All three help to hard-wire the internet, in the case of tin in the form of its use as circuit-board solder. Robotics, artificial intelligence and the internet of things represent powerful demand drivers. All three face structural supply problems.

Silver is heading for a sixth consecutive year of supply deficit. Copper is in thrall to a rolling raw materials crunch as mines struggle to scale up production to meet smelter demand. And tin supply remains highly concentrated and overly dependent on frontier mining zones such as the Congo and the semi-autonomous Wa State, which operates the Man Maw mine in Myanmar. All three metals are pricing future structural scarcity even though there is no immediate evidence of any shortage. Tin's current super-elevated pricing is proof that you can't keep a good investment meme down even if short-term market dynamics contradict the narrative. And while that remains the case, it's hard to see what pulls tin back to the mundane reality of supply and demand.

■ Andy Home is a columnist for Reuters. The opinions expressed here are those of the author.



Stacks of \$100 bills are arranged for a photograph in New York. Last month's rally in the dollar, as traders priced in the prospect of higher US interest rates, is leaving Wall Street strategists wary of further gains.

US dollar's May rally leaves strategists wary of more gains

Bloomberg
New York

Last month's rally in the dollar, as traders priced in the prospect of higher US interest rates, is leaving Wall Street strategists wary of further gains. The Bloomberg Dollar Spot Index is up 0.6% in May, as investors ramped up bets that the Federal Reserve will raise rates by early 2027, boosting the appeal of US assets. The gauge posted only its fourth monthly gain since the greenback's 2025 downtrend began.

To strategists from Morgan Stanley to Wells Fargo, focus is now shifting to the likelihood that other major central banks will hike even more aggressively, just as optimism for a US-Iran peace deal dents the US currency's haven demand. The consensus view on Wall Street is for a key gauge of the dollar to tumble more than 1% by the third quarter and 2% by the fourth, according to forecaster data compiled by Bloomberg.

"We are not chasing the dollar rally right now," said Erik Nelson, a macro strategist at Wells Fargo Securities LLC in New York. "US exceptionalism might have reached another peak and that will

limit the dollar's ability to follow through and break well-established ranges."

Nelson expects the crowded positions in American AI/semiconductor stocks to "expose the dollar to fresh downside risks."

The Bloomberg gauge of the dollar has failed to close above its 200-day moving average since April — around the time US President Donald Trump announced a ceasefire with Iran. The moving average has capped the dollar's upside for more than a year, with the gauge briefly trading above the key level in March during the height of the Middle East conflict before retreating.

American outperformance versus the rest of the world, in terms of economic growth and equity market gains, has reached "rather extreme levels" and is prone to a correction, according to Nelson. Aside from the 2020-21 pandemic, the real gap in gross domestic product between US and its 10 major peers on a weighted average basis has not been this big in a quarter century, he said.

Meanwhile, a narrowing gap in rate differentials between the US and the rest of the world will likely support major currencies versus the greenback. The European Cen-

tral Bank and Bank of Japan are expected to hike closer to the federal-funds rate in the coming months, continuing the trend of convergence between the US and rest of the world, according to Matthew Hornbach, Morgan Stanley's global head of macro strategy. "The macro backdrop supports a softer dollar," he said.

Options markets suggest traders remain undecided on the near-term outlook, while longer-dated contracts still demand a premium to hedge further gains. Meanwhile, leveraged funds raised their bullish dollar positions for the week through May 26 to \$16.5bn, according to the latest Commodity Futures Trading Commission data. That's the highest since April 7, when the US-Iran ceasefire was announced.

On Friday, financial markets are pricing approximately 25 basis points of Fed hikes by May 2027, compared with over 60 basis points for the ECB and less than 40 basis points for the Bank of England. Inflation stayed well above 2% in the eurozone's four top economies, prompting ECB Governing Council member Gedeon Simkus to talk about a second rate increase after June. Swaps signal a BoJ rate increase of 40 basis points by year-end.

BoE's Mann warns 'good luck' of low inflation era has run out

Bloomberg
London

Bank of England (BoE) rate-setter Catherine Mann warned that the long run of "good luck" central bankers have enjoyed in keeping a lid on inflation has run out as a more shock-prone era sets in.

Speaking on Saturday in Croatia, Mann questioned whether the low and stable inflation that lasted for decades until a post-pandemic surge in prices, a period known as the Great Moderation, was the result of astute central bank policy.

"It was supposed to be that the successful outcome of central bank independence and inflation targeting was the Great Moderation," she said at the Dubrovnik Economic Conference.

"Times changed, because the good luck of the Great Moderation has run out," Mann said. At the same time, "financial markets have become a much more important discipliner of the behavior of economies and of central bankers," she said.

The BoE has come under increasing pressure in recent years after struggling to keep UK inflation close to its 2% target.

Inflation hit double digits in



Bank of England rate-setter Catherine Mann.

the wake of Russia's full-scale invasion of Ukraine in 2022 and is now being elevated by the war in Iran.

The post-pandemic surge in prices abruptly ended a period when the UK central bank's greatest concern was low inflation and a tepid economy.

Facing a resurgence in inflation, the BoE has shelved plans to reduce interest rates further this year and is contemplating hikes to stop price pressures from lingering. Markets currently expect one quarter-point increase in bank rate from 3.75% by the end of 2026.

Mann — who's one of the most

hawkish rate-setters at the BoE — said the Monetary Policy Committee has "wiggle room" in balancing its aim to keep inflation low while still supporting the economy.

"Over time and within the committee there are changing weights on all those things and an important question is how do those weights change by the state of the economy and the kinds of pressures that we are under," she said.

Her comments came a day after BoE Governor Andrew Bailey said the UK central bank could tolerate a period of above-target inflation to help the subdued UK economy.

Global equity funds draw weekly inflows as AI rally boosts market sentiment

Reuters
London

Global investors returned to equity funds in the week to May 27 after a week of outflows, as a rally in AI-linked stocks revived demand, though caution over US-Iran peace negotiations kept buying in check.

Investors bought a net \$457.57mn in global equity funds, compared with a net outflow of \$6.56bn the previous week, LSEG Lipper data showed.

MSCI's World Index hit a record 1,129.06 on Friday, as the US and Iran reached an agreement to

extend their ceasefire, pending final approvals.

Technology stocks have been particularly in favour since last week after Nvidia highlighted robust demand for its flagship AI chips.

By region, US equity funds attracted a net \$1.97bn, while European funds also gained a net \$678mn. Asian funds, however, recorded net outflows of \$3.92bn. Sector funds attracted a net \$5.14bn overall, with technology and financials drawing a net \$4.98bn and \$1.05bn respectively. Global bond funds extended their winning streak to an eighth week, pulling in a net \$18.15bn.

Short-term bond funds, euro-denominated bond funds and corporate bond funds led demand, attracting a net \$3.67bn, \$3.16bn and \$1.4bn respectively. Money market funds saw net outflows of \$4.46bn, reversing net inflows of \$18.12bn the week before.

Precious metals funds, including gold, recorded a net \$584mn in outflows, their fourth weekly decline in five weeks. In emerging markets, equity funds shed a net \$4.45bn for a fifth straight week of outflows, while bond funds attracted a net \$1.08bn, data covering 28,882 funds showed.

EMs record rally leads two hedge funds to turn away investors

Bloomberg
London

There's so much cash going to emerging markets that a pair of hedge funds that specialize in hard-to-reach debt are starting to turn away investors. Shiprock Capital Management Ltd, which invests in distressed debt of Venezuela, Argentina and Ukraine, is saying no to new cash after assets under management topped \$1bn.

Managers at Broad Reach Investment Management, a \$3bn firm, say they will look to close their main fund once they reach their AUM ceiling later this year.

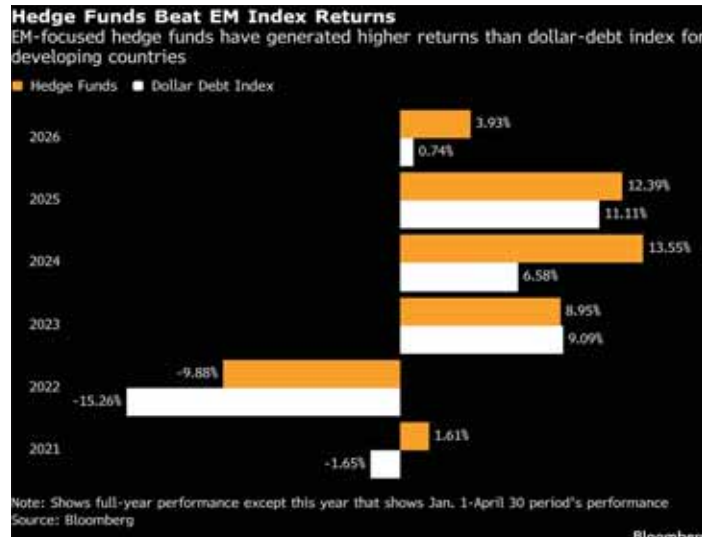
Both firms are reaping the rewards of rapid growth, but all that extra money means it's getting harder to deploy funds in small markets without moving prices and big positions can be difficult to unwind. With more cash chasing a small pool of assets, it's tougher for funds to beat their benchmarks, money managers say. "You still want to be nimble

— you still want to be able to buy and trade and remain liquid," said Frederick Schroder, chief executive officer at Shiprock Capital. "Infinite capital is not your friend in the space."

Against a backdrop of soaring bond yields from the US, UK and Japan, EM debt funds are drawing investors looking for an alternative. Developing-nation debt posted its seventh week of inflows at \$3.1bn in the period to May 27, according to Bank of America, which cited EPFR Global data.

It's a similar story over at Sandglass Capital Management Ltd, another EM distressed debt specialist. The firm's managers say they're being more selective after assets under management jumped to \$1bn, from about \$600mn a year ago.

Evgueni Konovalenko, managing partner and head of strategy & business development at ProMeritum Investment Management, whose AUM surpassed \$1bn at the start of February, cites the example of an investment in Uganda which eventually accounted for



3% of his portfolio. "Because we manage a \$1.1bn fund, we cannot scale that position further," he said. "Small, niche markets like Uganda simply lack the depth to absorb larger capital allocations. So we choose to be prudent."

That flexibility has helped

hedge funds return 33% on average on their emerging-market bond strategies since the start of 2024, when the rally got underway, according to the Bloomberg bond fund index.

To compare, hard-currency and local-currency EM bond indexes

gained 19% and 11% in the same period, respectively.

"The world is under-allocated to emerging markets, capital flows need to return to this universe to rebalance portfolios," said Bradley Wickens, partner, chief investment officer and chief executive officer of Broad Reach. "Emerging market assets are historically cheap, whether you look at real rates, local currency positions, or equities relative to developed markets."

Hedge funds in emerging markets had their biggest year for net inflows in more than a decade in 2025, according to data from HFR. In the first three months of this year they received about \$1.67bn of new capital — their best quarterly tally in three years.

ProMeritum has never recorded a single down year since its inception in January 2015. Sandglass, meanwhile, has returned 318% since it was created in 2013, more than four times the gain for Bloomberg's index of EM debt funds. Shiprock, formed in 2023, has returned more than double

the index. Overall, performance-based gains have added \$27bn to the value of assets managed by EM hedge funds since the start of 2024, the HFR data show. A further \$2.6bn has come from net inflows in the period.

While some of the funds are selectively pulling up the drawbridge to new cash, they're also raising new pools of capital in alternative debt, outside publicly traded bond markets.

Shiprock launched a fund at the start of this month with over \$100mn to focus on special situations in the secondary market for loans. Sandglass kicked off a third five-year, \$250mn private credit-style strategy, with a first close at just under \$100mn in April 2026 and a final close targeted for next year.

"The asset class is attractive," said Michelle Kelner, New York-based co-founder of Sandglass Capital.

"Somebody's always getting in trouble and emerging markets have typically traded with excess risk premium. That's the beauty of emerging markets."