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# Early compliance planning is key to startup success in Qatar, says expert

**By Peter Alagos**
Business Editor

Qatar's regulatory environment is supportive of business, but compliance can quickly become a distraction if not planned from the outset, an official of a Doha-based strategic platform and corporate services firm has said.

"Qatar's regulatory environment is well structured and genuinely supportive of business, but compliance has a real cost in time and resources, and without planning for it from the start, it can become a distraction at exactly the moment you can least afford one," Conrad Pallarés Sainz de la Maza, partner at ArcPath Partners, told *Gulf Times*.

Sainz de la Maza explained that ArcPath begins every founder engagement with a conversation to understand business goals before structuring compliance and operations.

"We want to understand their business model, but more specifically, what they are actually trying to achieve in Qatar and across the Middle East," noted Sainz de la Maza, who further explained that by working backwards from a founder's definition of success, ArcPath ensures compliance and structure are part of the plan rather than an afterthought.

Sainz de la Maza said early-stage entrepreneurs need advisors who understand both regulation and market dynamics. "What early-stage entrepreneurs need most is someone who understands both sides of the equation. The regulatory environment and the business context are not separate conversations," he emphasised.

He also said, "A founder setting up in Qatar needs to know that their structure is compliant, but they also need someone who understands what they are trying to build, what the market dynamics actually look like, and whether their expectations from Qatar and the broader Gulf are realistic and achievable…That practical, grounded perspective is often what saves founders the most time and the most money."

Conrad Pallarés Sainz de la Maza, partner at ArcPath Partners.

Only recently, ArcPath collaborated with Startup Grind Doha to provide entrepreneurs with preferential service packages covering entity formation, compliance, HR, payroll, and accounting.

Startup Grind Doha chapter director Indica Amarasinghe said Qatar's startup ecosystem is entering a new phase where founders are seeking operational partners to help scale beyond inspiration and funding.

Amarasinghe said, "Through this collaboration, our community members will gain access to preferential service packages designed to support both early-stage startups and scaling companies." Sainz de la Maza advised founders to delegate early and deliberately, protecting their time for innovation and client relationships. "Identify what only you can do and get everything else off your desk as quickly as possible," he pointed out.

He said, "Operational demands do not disappear as you grow, they multiply, and if you are still personally managing administrative processes at the point where you should be closing clients and building your product, that is a problem."

Sainz de la Maza added: "Qatar is a relationship-driven market. Your time is most valuable when you are in the room with the right people.

Get the operational layer structured from day one, find partners you trust to run it, whether that is ArcPath or someone else, and protect your time for the things that actually move the needle."

# Global goods trade showing signs of slowdown: WTO

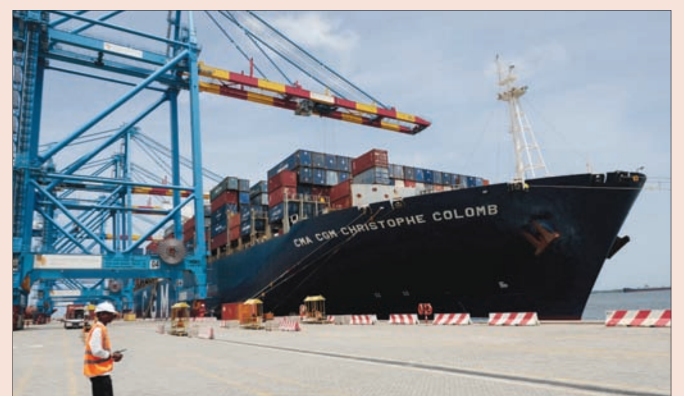
**Reuters**
Geneva

The World Trade Organisation (WTO) said on Friday there were signs global merchandise trade growth may be starting to slow, though it had shown resilience in the first half of 2026 in the face of widespread disruption sparked by the Middle East conflict.

The negative impact of the conflict may have been partly offset by surging demand for electronic components related to AI, according to the WTO Goods Trade Barometer report.

The WTO barometer predicts trade developments two to three months ahead. Barometer values greater than 100 suggest trade is growing faster than usual, or is likely to do so soon, while below 100 indicates trade is weaker than usual or is expected to weaken soon.

The barometer index reading fell from 102.3 in January to 101.7, suggesting that merchandise trade growth may be starting to slow. The index, however, is above its baseline value of 100, indicating that the volume of trade remains above trend.



A worker walks as gantry cranes prepare to carry out operations on the container ship CMA CGM Christophe Colomb, at the container terminal of the Port of Abidjan, Ivory Coast. The World Trade Organisation said yesterday there were signs global merchandise trade growth may be starting to slow, though it had shown resilience in the first half of 2026 in the face of widespread disruption sparked by the Middle East conflict.

In March this year the WTO said growth in world trade in goods would slow down markedly to 1.9% in 2026 from 4.6% in 2025 and could decelerate even more if the Middle East war continued to push energy prices higher and disrupt global transport.

The electronic components index showed a rise firmly above trend at 105.5, while the agricultural raw materials index was slightly below trend. Air freight and container shipping were growing at a slower rate than a few months ago, but were still above trend at 102.2 and 102.4 respectively. "On balance, the indices show signs of resilience, signalling relatively stable global merchandise trade growth," the report said.

# Turkish inflation just above expectations at 1.71% monthly and 32.61% annually

**Reuters**
Istanbul

Turkish consumer price inflation was slightly higher than expected in May, data showed on Friday, highlighting price fallout from the US-Iran conflict and focusing attention on the monetary policy outlook.

In May, consumer prices increased 1.71% monthly and 32.61% annually, official data showed. In a Reuters poll, monthly inflation was forecast to be 1.63%, with the annual rate seen at 32.50%. The war has slowed disinflation expectations in the market and at the central bank, which some analysts believe could consider raising interest rates next week.

In April, inflation rose 4.18% monthly and 32.37% annually, both above forecasts. The poll's median estimate for end-2026 annual inflation was 29%, easing slightly but remaining well above the central bank's projections.

"Although geopolitical risks and volatility in energy prices continue to exert pressure on the inflation outlook, we have limited these effects with the steps we have taken," said Finance Minister Mehmet Simsek on X.

The central bank raised its year-end interim inflation target to 24% from 16% last month, forecasting that the short-term inflationary effects of the Iran war would remain "pronounced", as the war-related surge in energy prices has rattled countries like Turkey that rely on energy imports. The revisions came after the bank kept its key interest rate at 37% in April, holding steady for the second successive policy meeting despite some expectations for a tightening of policy.

Governor Fatih Karahan has said the central bank needed to focus on short-term inflationary impacts for now to hinder a deterioration in the inflation outlook, adding all options were on the table. The bank had slashed rates by 900 basis points in the second half of last year before slowing the easing in January of this year, and has since held the policy rate steady.

Citi said in a note that recent price developments point to a more challenging inflation outlook than projected in the central bank's (CBT) latest inflation report.

# Opec output plunges further as US squeezes Iran, shows survey

**Bloomberg**
London

Opec crude output fell last month, hitting its lowest level in decades as the US blockade of Iran and disruption in the Gulf continued to curb production.

Output from its 11 current members dropped by 1.22mn barrels a day to 16.33mn a day in May, with Iran accounting for more than half of the decline, according to a Bloomberg survey. That was the lowest in at least 37 years. The data excludes the United Arab Emirates, which left the Organisation of the Petroleum Exporting Countries (Opec) last month after six decades.

War between a US-Israeli alliance and Iran has taken a heavy toll on oil supplies from the Middle East, largely shuttering the critical Strait of Hormuz waterway and forcing Saudi Arabia, Iraq, the UAE and Kuwait to slash crude production.

Iran's shipments are also under pressure after the US imposed a blockade of its ports in mid-April. Iran's output tumbled by 710,000 barrels a day to a five-year low of 2.34mn a day last month, the survey showed. Central Command said US forces have redirected 127 commercial vessels to enforce the blockade of all maritime traffic entering and exiting Iranian ports.

The next-biggest decline last month was in Kuwait, where production fell by 310,000 barrels a day to 490,000 a day — less than a fifth of pre-war levels. After that came group leader Saudi Arabia, down 240,000 barrels a day to 6.57mn a day.

The production shut-ins haven't stopped Opec and its allies from symbolically increasing quotas over the past few months, continuing — if only on paper — a year-long process of restoring output halted several years ago.

Three Opec+ delegates say they expect key members to nudge up targets by a modest 188,000 barrels again in July during a video conference on Sunday. The session is one of four online meetings Opec and its partners are due to hold that day.

Delegates have said the alliance has plans for two more monthly quota hikes in August and September, which would theoretically complete the restoration of the second of three tranches of supply cutbacks made in recent years. A third layer is due to remain offline until the end of the year, though officials said this week it could be fast-tracked.

The Iran war gave the UAE an opportunity to leave Opec at a moment when it would cause the least disruption.

Abu Dhabi had long been frustrated that Opec's quotas prevented it from deploying new investments in production capacity. UAE output bucked the general trend of Middle East declines in May, rising by 300,000 barrels a day to 2.44mn a day, according to the survey.

Saudi Arabia's Aramco Trading Co and the UAE's state oil company Adnoc are among firms that have managed to move some crude cargoes through the Strait of Hormuz since Iran largely closed the waterway, people familiar with the situation said last month.

Bloomberg's production survey is based on ship-tracking data, information from officials and estimates from consultants Rapidan Energy Group, FGE NexantECA, Kpler and Rystad Energy.

A logo outside the headquarters of the Organisation of the Petroleum Exporting Countries in Vienna. Opec crude output fell last month, hitting its lowest level in decades as the US blockade of Iran and disruption in the Gulf continued to curb production.

# AI may not be the demand booster copper bulls expect

By Andy Home
London

From the Bronze Age to the AI age, copper is again at the heart of the latest big investment craze. The rationale is simple. Data centers need a lot of wiring, cooling and power, which means they need a lot of copper. AI data centers need even more.

A crypto data center requires 21 metric tonnes of copper per megawatt installed, while an AI training data center in China has a copper intensity of 47 tonnes, according to S&P Global Market Intelligence.

The escalating global AI arms race will undoubtedly boost demand for copper. But by how much?

S&P Global forecasts usage in data centers and associated infrastructure will rise from 1.1mn tonnes in 2025 to 2.5mn tonnes in 2040. There are, though, a lot of "buts" lurking in that forecast.

Demand could be as high as 2.7mn tonnes or as low as 1.7mn, depending on the interaction of multiple fast-changing variables.

As the authors of "Copper in the Age of AI" put it, the "wide span underscores both the uncertainty and the scale of the challenge ahead."

One key variable in assessing likely copper demand is the scale of AI data center expansion. Many of the new megawatts of announced AI computing capacity are "bragawatts", according to a study released by the Oxford Smith School and financial broker Marex Group.

While media and markets are expecting and pricing a rapid exponential ramp-up in AI infrastructure, the outcome is likely to be "a roll-out that is delayed, lumpy, and constrained by physical realities."

The biggest hurdle is grid connectivity. A data center can be built in 18 to 24 months but the average US waiting time for a grid connection was four years between 2018 and 2023. That assumes there is enough power in the first place.

Ireland built so many data centres that by 2021 the sector's share of national energy consumption had risen to over 20%, threatening to overwhelm the country's energy system.

The Irish grid operator imposed a de facto four-year moratorium on new applications, which has only just been lifted, albeit with strict new conditions. Throw into the mix long lead times for essential equipment such as transformers and a shortage of specialised labour and there is a growing gap between announced and delivered AI computing capacity, according to the Smith study.

Copper, it warns, is in danger of falling down that gap.

Quantifying how much copper is used in data centers is also a fast-moving target.

The battle for AI supremacy is one of computing power, and as chips evolve, so must the architecture of rack design and wiring.

S&P Global notes there is already a shift underway from copper to fiber optics in the interconnect cabling between processor racks.

This could result in copper intensity in data centers falling by 4 or 5 tonnes per megawatt installed, not a trivial change given the overall 30- to 40-tonne range deployed in non-crypto data centers.

More fundamentally, though, chip company Nvidia argues that even copper will be challenged to deliver the low latency and high bandwidth of next-generation AI centers.

Using traditional low voltages would necessitate "an unsustainable volume of copper cabling."

Nvidia is proposing a transition to 800 volts, which means the same wire gauge can carry 157% more power. A simpler set-up also means fewer copper conductors and smaller connectors.

Reducing copper usage is both a cost consideration and, the company argues, a critical pathway to ever-increasing rack power.

Ardent copper bulls argue that such is the looming deficit in copper that the metal could itself become a bottleneck in the roll-out of AI capacity.

That may be more true of some of the other metals that go into connecting physical and virtual worlds.

Data centers are a sink for all sorts of minerals, 60 to 70 tonnes of them per megawatt installed, according to the World Economic Forum.

There's copper, but also aluminium, cobalt, nickel, tin, gold, silver, germanium and gallium and, of course, a smattering of the increasingly ubiquitous rare earth metals.

Germanium and gallium are more likely to pose a materials bottleneck than copper. Western supply of both metals is acutely tight after China imposed export restrictions in 2023.

Big Tech is competing for limited supply with both the US Pentagon and the European Union, which is looking to build a strategic metals stockpile. It's by no means certain it will win.

All new industries are liable to the same disconnect between promise and delivery, but power availability, grid connectivity and critical metals supply are structural real-world inhibitors of the AI revolution.

And while no-one's going to stop using copper in data center design, its intensity of use is beholden to the race for ever more computing power, which in turn requires constant evolutions in AI architecture.

There are multiple moving parts to copper's new data center demand vector. The market, which has seized on AI as the next big thing, may not be pricing that complexity.

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

# Canada reports unexpectedly strong job growth, drop in unemployment

**Job growth offsets almost all losses since start of 2026; unemployment rate falls to its lowest level since January; job gains concentrated entirely in full-time employment, StatsCan said; youth unemployment declined 0.9 percentage points to 13.4%**

Reuters
Ottawa

Canada's economy added 87,800 jobs and the unemployment rate fell to 6.6% in May, data showed on Friday, defying widespread expectations of only modest employment growth and showing some resilience despite signs of softer economic growth.

The May data marked the first job growth of 2026 and helped wipe out almost 80% of all job losses posted since the start of the year. The last time the economy added a significant number of jobs was October 2025, Statistics Canada said.

Analysts polled by Reuters had forecast the unemployment rate last month would hold steady at the six-month high of 6.9% reached in April and had predicted a net gain of 10,000 jobs. For more than a year, Canada's economy has weathered an onslaught of US tariffs and trade uncertainty, which has hit some crucial sectors hard and led to job losses. It has also drained hiring momentum and investments out of the broader economy.

The Canadian economy entered a technical recession - two consecutive quarters of economic contraction - at the end of the first quarter on an annualized basis. But economists have been divided on whether it was actually in recession, as there have been no widespread job losses and some sectors have shown healthy growth.

StatsCan said the construction sector added a net 26,800 jobs, the information, culture and recreation sector saw a gain of 19,300 jobs, transportation and warehousing employment grew by 18,700 jobs and accommodation and food services gained 17,000 jobs.

The wholesale and retail trade sector, which accounts for almost 14% of the total employed workforce, posted a decline of 35,000 positions. "This is welcome news for the Canadian economy and should help to dispel the idea that the country is in recession," Jay Zhao-Murray, chief economist at macroeconomic research firm Sibley Creek, said in a note.

While there are obviously signs of weakness in other data, the jobs report is evidence that the economy still has some legs, and it should allow the Bank of Canada to remain on hold next week, he said.

Economists have said that the upcoming FIFA World Cup soccer tournament, which is being partly hosted by Canada, will also likely boost jobs in the months of June and July across some sectors.

The job growth last month was concentrated entirely in full-time jobs, which saw a net addition of 154,000 in May, reversing almost all of the first four months of net job losses in that category, StatsCan said. Part-time employment fell by 66,200 positions.

Average hourly wages of permanent employees, a metric closely tracked by the Bank of Canada to gauge inflation expectations, grew 3.2% in May, a sharp decline from 4.8% in April.

The unemployment rate for youth declined 0.9 percentage points to 13.4%, the first decline since January, StatsCan said. The Canadian dollar was trading up 0.12% to C$1.3889 against the US dollar, or 72.00 US cents, after the release of the data. Yields on two-year government bonds sharply reversed, rising 9.5 basis points to 2.762%. Bets for an interest rate hike in December firmed, with markets pricing in one 25-basis-point increase in December.

# ECB to hike twice with inflation above comfort zone, shows survey

Bloomberg
Frankfurt

The European Central Bank (ECB) will respond to the Iran war by raising interest rates twice this year before them keeping steady for longer than previously thought, economists say.

A Bloomberg survey conducted May 29-June 3 shows that all respondents but one anticipate a quarter-point hike at next week's meeting, with most of them seeing another such step before the end of the year. That would bring the deposit rate to 2.5%.

Among those forecasting a second increase, the vast majority favor September over July. That would align such a move with a monetary-policy meeting that, just like next week's decision, will feature new staff projections for growth and inflation.

The survey underscores how the ECB is positioning itself toward the hawkish end of the Group of Seven at a time when peers such as the Federal Reserve are opting to wait to assess how the energy shock pans out.

"The ECB wants to send a signal that it will not stand idly by as inflation rises," said Daniel Hartmann, chief economist at Bantleon. "It wishes to emphasise that it takes the 2% target seriously and will not tolerate persistent overshoots."

Most respondents then expect a cut by mid-2027 as the Middle East conflict weighs down on economic activity. Previously, economists had predicted a reduction as soon as March.

After keeping borrowing costs steady since the outbreak of the war, officials have widely telegraphed the prospect of increasing them for the first time since September 2023 amid worries that the ongoing conflict raises the risk of a more prolonged spike in inflation.

The headquarters of the European Central Bank in Frankfurt. The ECB will respond to the Iran war by raising interest rates twice this year before them keeping steady for longer than previously thought, say economists.

While most policymakers remain tight-lipped on the path beyond June, Lithuania's Gediminas Simkus has said a second hike is "more likely than not."

Euro-area consumer price-growth jumped to 3.2% from 1.9% over the first three months of the war, and is likely to accelerate further. That's mainly due to direct effects from the surge in energy costs, but policymakers worry that such pressures could increasingly spill over into broader inflation via wages and corporate price-setting.

"The ECB will sell the hike as defending credibility," said Arne Petimezas, head of research at AFS Interest. "With core inflation slightly above target before the war, it has no choice anyway but to hike."

The so-called core measure of consumer-price growth, which strips out volatile elements such as energy, hasn't slowed to 2% since 2021. Meanwhile the 21-nation bloc's economy is also already suffering, with private-sector activity in May contracting at the quickest pace since 2024.

According to the survey, economists anticipate that ECB staff will next week revise up inflation projections for 2026 and 2027, and lower growth forecasts for this year and next.

That could fuel discussions about a potential stagflationary shock, combining low growth and high inflation, even if President Christine Lagarde strongly dismissed that label after the April meeting.

Most analysts see the region now between the ECB's baseline and adverse scenarios presented in March, or even already within the latter. That featured price growth averaging 3.5% in 2026, with only 0.6% economic expansion. Hawkish Executive Board member Isabel Schnabel this week warned that the risk of a de-anchoring of inflation expectations is rising. But three-quarters of respondents in the survey so far don't see any evidence of such a development.

They do agree with the assesmsnets of Schnabel and Chief Economist Philip Lane that the ripple effects of the war will be felt for quite some time, even after a peace deal is reached.

# UK sees risk of $100 oil until 2028 in worsening Iran outlook

Bloomberg
London

The UK government has revised its internal oil price forecasts upwards, assessing that crude could stay around $100 a barrel until 2028 even with a US-Iran peace deal because energy flows from the Gulf are now expected to take longer to recover.

The new analysis warns of more persistent pressures on energy prices than previously thought and a worsening outlook for the global economy. It hasn't been made public, but has been seen by Bloomberg News.

While the UK government had initially envisaged around six months of disruption to energy markets after the end of the war, representing a relatively speedy recovery in flows from the Gulf, it now thinks the oil supply from the region will take as long as 14 months to recover.

If the forecast pans out, it would represent yet another blow to Prime Minister Keir Starmer's administration as it seeks to show British voters its bearing down on the cost of living. That's not to mention the broader damage to the global economy as countries around the world grapple with higher energy and food prices, as well as fuel shortages.

Domestically, the study suggests whoever is UK prime minister later this year will have to contend with a souring economic picture that could last some time. Starmer's government is widely seen as close to collapse, with Greater Manchester Mayor Andy Burnham expected to launch a leadership challenge this summer, if he first succeeds in winning a parliamentary by-election on June 18.

A UK government spokesperson said in a statement that the country had a diverse and resilient energy supply. It said it was working with international partners to find a permanent solution to the Iran crisis and minimise the impact on households.

In a best-case scenario in which there is a deal between the US and Iran this year, the price of crude could still remain between $100-$150 a barrel until year-end because of a slower recovery of flows from the Gulf, according to the analysis. It projects the price of oil in this scenario to stay around $100 a barrel into 2028.

In a worst-case scenario in which the war restarts and there is fresh damage to regional energy infrastructure, further delaying the recovery of energy flows by several more years, the oil price could initially spike as high as $210, staying around $150 into 2028, according to the assessments.

A fuel tanker in the UK. The UK government has revised its internal oil price forecasts upwards, assessing that crude could stay around $100 a barrel until 2028 even with a US-Iran peace deal because energy flows from the Gulf are now expected to take longer to recover.

If that scenario were realised it would have sweeping global impacts on inflation and growth lasting several years, as well as lasting consequences for geopolitics and security, the report said. Bloomberg's recession probability indicator for the UK has already risen to almost 40% in the past month.

The pessimistic projections were produced by the UK's Department of Energy Security and Net Zero, and form part of a new whole-government assessment of the economic impact of the Iran war, according to people familiar with the matter. They have been presented to senior ministers, according to the people, who were granted anonymity discussing a confidential government analysis.

Even the more-modest price path set out in the study would exceed most analysts' expectations. Brent oil traded at about $95 a barrel on Friday and isn't expected to go much above $100 through year end, according to estimates compiled by Bloomberg.

Governments around the world, including the UK, have already pledged to release an unprecedented 400mn barrels of supply to deal with the supply crisis. However, because of the time it will take for flows through Hormuz to normalise, some analysts are estimating that the loss of as much as 2bn barrels of supply is now a possibility.

A previous British government analysis seen by Bloomberg in March saw the oil price stabilising back below $100 if there was a quick end to the war, with it rising to $150 in the event of a protracted conflict.

The futures market is currently expecting oil to drop below $90 by November and carry on falling. The worst-case scenario modeled by the Bank of England has oil staying above $100 for at least the next two years, with inflation climbing above 6% by early next year.

Earlier this week, BoE rate-setter Megan Greene said the case for raising interest rates is strengthening as the Iran war continues. UK inflation is expected to climb near 4% later this year as energy bills for households and businesses climb.

A general view of the skyline in Mumbai. India's economy grew at a faster pace than expected in the first three months of 2026, data showed yesterday, even as the Middle East war clouds the outlook for the rest of the year.

# India growth beats forecasts but Iran war clouds outlook

**AFP**
Mumbai

India's economy grew at a faster pace than expected in the first three months of 2026, official data showed on Friday, even as the Middle East war clouds the outlook for the rest of the year.

Gross domestic product rose 7.8% in the January-March quarter from the same period a year earlier, helped by a robust services sector, according to data from the statistics ministry.

This was down from the 8% recorded in the previous quarter but still above market expectations of 7.3% growth.

"GDP growth has been resilient... despite geopolitical tensions," Teresa John of Nirmal Bang Institutional Equities told AFP, adding that the quarterly figures had also been helped by a solid performance in the industry and construction sectors.

A ministry news release said growth for the 2025-26 fiscal year, which ended in March, came in at 7.7% -- up from 7.1% the previous year.

Friday's reading reaffirms India as the world's fastest growing major economy and will be welcome news for policymakers who face a slate of challenges for the current fiscal year. Prime Minister Narendra Modi's government started the March quarter on solid footing, with robust GDP growth and the announcement of a framework for a much-delayed interim trade deal with the United States.

That momentum quickly unravelled because of the Middle East conflict and the latest threat of additional US tariffs potentially delaying a pact with Washington.

India's trade minister, Piyush Goyal, said on Friday that he hopes to "execute" the first tranche of a deal next month, but the effects of the Iran war remain a pressing concern.

New Delhi depends heavily on imports for its oil and gas needs, making it particularly vulnerable to the global energy shock caused by the conflict.

Higher oil prices not only threaten to raise input costs and stoke inflation but also drive up India's import bill, potentially widening the current account deficit to a 14-year high. The first casualty, analysts say, would be India's growth trajectory.

"Given the uncertainty around the resolution of the conflict, elevated energy prices for an extended period poses a downside risk to growth in the near term, including muted prospects for investment demand, negative impact on corporate profitability and dampening consumer sentiments," Aditi Nayar of ratings agency ICRA said in a note.

Nayar added that a weak monsoon forecast and "potential development of El Nino conditions" also have dulled India's agricultural output projections.

India's central bank cut its GDP growth forecast for the 2026-27 financial year to 6.6% on Friday, down from an earlier projection of 6.9%, even as economists warn that New Delhi may overshoot its budgeted fiscal deficit target for the current year.

Adding to policymakers' woes, foreign investors have offloaded well over $20bn in Indian shares so far this year, putting pressure on the Indian rupee, which has been among Asia's worst-performing major currencies in 2026.

Among measures aimed at bolstering the rupee and boosting foreign inflows, the Reserve Bank of India unveiled on Friday amendments that would make it easier for overseas investors to buy stocks and government bonds.

The government also said it would cut capital gains taxes on investments made by foreign institutional investors in government bonds, a move it said would "attract stable long-term foreign capital flows".

# Asian markets take another hit from AI and Mideast worries

**AFP**
Hong Kong

A woman walks past an electronic quotation board displaying stock prices in Tokyo. The Nikkei 225 closed down 1.3% to 66,588.12 points yesterday.

Asian equities went into reverse on Friday on continued worries about the AI trade after disappointing forecasts from chip titan Broadcom, while investors were also keeping a wary eye on stuttering Middle East peace efforts.

In Tokyo, the Nikkei 225 closed down 1.3% to 66,588.12 points; Hong Kong - Hang Seng Index ended down 1.2% to 24,961.95 points and Shanghai - Composite closed down 0.7% to 4,027.74 points yesterday.

After leading several markets to record highs this year, technology firms are facing selling pressure on concerns that the eye-watering sums pumped into artificial intelligence may have been overdone and stock valuations are too high.

Broadcom on Wednesday sparked concern among traders who have piled into all things AI when its revenue forecast for the third quarter came in below expectations, sparking a sell-off in Wall Street's Nasdaq as dealers took profits and rotated into other sectors.

And the losses have bled through to Asia, where tech-heavy Seoul and Tokyo -- which have led the region's surge this year -- sank from record highs.

Korean stocks tanked almost seven percent at one point on Friday -- before ending down 5.5 percent -- having dropped 1.8% the day before. The Nikkei in Tokyo was off more than one percent, matching Thursday's retreat.

The losses come as investors contemplate a coming IPO by Elon Musk's SpaceX, which is aiming to raise $75bn in the biggest initial public offering ever.

The company said in a regulatory filing that it would offer more than 550mn shares at $135 each next week, which could value the company at $1.8tn.

There were also losses in Hong Kong, Sydney, Shanghai, Singapore, Mumbai, Bangkok and Taipei.

Wellington and Manila edged up.

Jakarta saw more steep losses amid building fears about the state of the Indonesian economy and the rupiah, which have been hammered by surging oil prices.

London and Frankfurt were lower but Paris rose.

"Broadcom's revenue miss sparked profit-taking across the semiconductor sector and gave investors a reason to pause after the recent AI-driven rally," said City Index's Fiona Cincotta.

"Broadcom's results suggest investor expectations may have run ahead of fundamentals."

The latest AI wobble came as investors grew nervous about grinding efforts to end the Middle East crisis.

Talks between Iran and the United States also appeared to be going nowhere, with Iran reporting "no tangible progress", even as President Donald Trump again voiced optimism, telling reporters a deal "could happen... over the weekend".

# Japan passes $19bn additional budget

**AFP**
Tokyo

Japan passed $19bn in additional spending on Friday, as Prime Minister Sanae Takaichi's government seeks to ease pressure on households struggling with soaring everyday costs driven by the Middle East war.

The 3.1tn-yen extra budget cleared the parliament -- dominated by Takaichi's Liberal Democratic Party -- sailing through the upper house by 148 votes to 94.

The budget had been approved by Takaichi's cabinet on Tuesday.

She has said the money will go towards easing petrol, electricity and gas costs.

Japan, whose economy is heavily reliant on Middle Eastern fuel imports, has been battling rising prices since Iran blockaded the Strait of Hormuz following US-Israeli attacks in February.

Takaichi announced the supplementary budget plan last month, saying "the situation in the Middle East remains uncertain". It was drafted "to ensure we're fully prepared financially", she said.

However, Takaichi has also said the government expects to secure a stable supply of oil through to next spring.

She added that alternative supplies of naphtha, an oil by-product used in a wide range of industries, from outside the Middle East have recovered to more than 80% of previous levels.

Japan's central bank hiked its inflation forecasts in April and cut growth projections on the rising oil prices.

"The rise in crude oil prices is expected to push up prices, mainly of energy and goods, with moves to pass on wage increases to selling prices continuing," it said.

# India cuts bond tax, eases access for global funds to lift rupee

**Bloomberg**
Mumbai

India's central bank and government unveiled a "bazooka" package to support the rupee after it plunged to a record low, dusting off a 2013 taper tantrum-era playbook to spur foreign inflows.

The Reserve Bank of India (RBI) on Friday outlined steps to make it easier for overseas investors to buy government bonds and stocks. Separately, the government announced a reduction in capital gains taxes on debt investments by global funds.

The RBI also kept its benchmark repurchase rate unchanged at 5.25%, in line with most forecasts, opting to wait out current inflation threats.

The synchronised action reflects India's determination to bolster the rupee and shield the economy from the energy shock triggered by the US-Iran war. Economists compared the moves to those taken during the 2013 taper tantrum, when the rupee came under severe pressure.

Calling it a "bazooka announcement", Sonal Varma, an economist with Nomura Holdings Inc, said the measures would help boost India's balance of payments. "The RBI has rightly chosen to not use policy rates to defend the currency" and instead relied on non-monetary measures, she said.

The rupee and bonds extended gains as India's finance ministry billed the measures as major reforms to deepen the government debt market and facilitate greater foreign portfolio investment in equities. The rupee rose as much as 0.9% to 94.89 per dollar. The yield on the 10-year bond dropped as much as 5 basis points to 6.94%.

RBI Governor Sanjay Malhotra said authorities are prepared to take necessary action when needed. He added that policymakers will likely respond if inflation proves generalised and persistent.

Sanjay Malhotra, governor of the Reserve Bank of India.

"We shall remain vigilant, and we are fully prepared, as mentioned earlier, to do whatever it takes to preserve an orderly market conditions," he said.

Asked by reporters whether the central bank would restrict capital outflows, Malhotra said no such moves were under consideration.

Radhika Piplani, an economist with Motilal Oswal Financial Services, estimated the measures announced on Friday could attract $30-$50bn in fresh dollar inflows this financial year.

"This was a well-choreographed move between the RBI and government to attract foreign capital," she said. "This is positive for rupee."

The potential inflows could provide a timely boost, with local shares having already seen outflows of over $27bn this year and India projected to post a balance of payments deficit for a record third year. The currency steps are likely to result in "healthy inflows" and significantly improve the balance of payments situation, Malhotra told reporters Friday.

"'Whatever it takes.' That sentence pretty much sums up today's MPC policy's resolve, which faced difficult terrain due to sharp uptick in oil prices and its second-round effects on the economy," said Dhawal Dalal, president and chief investment officer of fixed income at Edelweiss Mutual Fund.

The RBI also updated its inflation forecasts. It now expects inflation for the fiscal year through March 2027 to reach 5.1% — well above its 4% target — up from 4.6% previously. The central bank cut its economic growth forecast for the current fiscal year to 6.6% from 6.9%. The governor said prolonged volatility poses downside risks to growth but policymakers will wait for greater clarity to emerge on the inflation front before acting.

The combination of higher inflation, upside risks from a sub-normal monsoon linked to El Niño and global monetary tightening "collectively point toward a hiking cycle this year," said Khushali Dutt, associate economist at Equirus Securities. We expect the RBI to hike by 50 bps in FY27 and a repo rate of 5.75% by fiscal end".

The central bank has ramped up its currency intervention and taken a number of other measures to halt the rupee's depreciation, helping it pare some of its losses in recent weeks. Still, the rupee is down over 5% against the dollar so far this year, making it third-worst performing currency in Asia.

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# AI fever spreads, but are markets masking economic cracks?

**AFP**
Paris

SpaceX's record-smashing IPO plan shows investors are eager to keep pouring money into all things AI, even as alarm bells ring for the wider economy.

And that has analysts wondering: Where will the cash come from if soaring inflation dents growth? Or if the artificial intelligence rollout proves less profitable than hoped?

**Historic influx:** Investment by AI labs is at historically "unprecedented" levels, with expected outlays by the 11 top American players over the next 12 months representing nearly 3% of US GDP, said Raphael Gallardo, chief economist at asset management group Carmignac in Paris.

At the beginning of this year confidence in that spending surge wobbled, with chipmakers and other tech hardware firms taking a hit on stock markets worldwide.

But despite the outbreak of an ongoing war in the Middle East, "for now, those concerns largely have been dismissed by the markets" after reassuring profit reports, said Adam Sarhan of 50 Park Investments in New York.

"If you look at the actual earnings, those fears did not come to pass and in fact a lot of companies" committed to spend more on AI, Sarhan told AFP.

Google for example announced this week that it would raise up to $80bn for a major expansion of its AI infrastructure.

It said it was "compute constrained in the near term" -- jargon meaning it cannot build necessary infrastructure fast enough to meet demand.

SpaceX meanwhile aims to raise $75bn in an initial public offering expected next week, by far the largest IPO ever.

Its rivals OpenAI and Anthropic, behind ChatGPT and Claude respectively, are set to follow suit in the coming months, valuing the companies around a whopping $1tn.

**Gobbling up chips:** Beyond US-based chatbot makers, companies worldwide have profited from the AI rush, especially chipmakers providing their computing power.

Korea's benchmark Kospi stock index for example has nearly doubled its value since January this year, propelled by chipmakers Samsung Electronics and SK hynix -- both also now trillion-dollar companies.

Those two companies alone account for half the Kospi's market capitalisation.

"The fact that two companies make up such a large portion of the market highlights just how concentrated that dependence is, and that is the biggest risk factor," said Kim Dae-jong, a professor at Sejong University.

In Taiwan, TSMC, a supplier to AI chip specialist Nvidia, represents on its own 40 percent of the Taipei stock market, while technology investor SoftBank in Japan this week surpassed Toyota as the country's most valuable company.

In the United States, red-hot demand for Micron and Intel chips have seen their share prices more than double so far this year, while European equity benchmarks have soared thanks in large part to Infineon and STMicroelectronics.

**Too hot for comfort?:** There are signs however that market expectations have outstripped the ability of companies to meet them. This week the US chip specialist Broadcom saw its shares plunge despite its second-quarter profit having nearly doubled to $9.3bn as its forecast for third-quarter chip revenue growth of over 200% failed to meet expectations.

"The support provided by huge capital inflows to AI and chip stocks is fading, exposing the often extreme overpricing in these sectors," said Andreas Lipkow, analyst at CMC Markets.

"In a best case, investors will take profits ahead of the summer pause, and markets would have time to consolidate," he said, especially if they sell tech holdings to buy the new SpaceX shares.

"If not, the likelihood of a major short-term correction on international equity markets remains high," he said.

"These companies are cash cows and we're in one of the biggest investment cycles in history", said Frederik Ducrozet, head of macroeconomic research at Pictet Wealth Management in Switzerland.

But so far none of the three AI powerhouses -- SpaceX, Anthropic and OpenAI -- are turning profits, he noted, "which argues for more caution", he said.

**AI vs stagflation?:** Analysts and policymakers are worried that AI enthusiasm cannot escape the gravitational pull of soaring energy costs -- data centres suck huge amounts of electricity -- and slowing growth overall.

In the US alone, AI investments currently account for nearly nine-tenths of GDP growth overall -- overshadowing weak consumer demand and rising costs for small and midsize firms, said Gallardo at Carmignac.

"AI-related spending has become a huge part of the US growth story... the same handful of firms raising money, buying chips, leasing compute and booking revenues off one another," added James Smith, an economist at ING.

"But the fact remains that if you strip out AI, the rest of US private non-residential investment has been falling year-on-year for six straight quarters," he said.

And the situation could worsen if the US Federal Reserve, the European Central Bank and other central banks raise rates to contain energy-fuelled inflation, something many analysts consider inevitable.

# US posts third straight month of strong job gains in May

**Non-farm payrolls increase by 172,000 jobs in May; March and April payroll gains revised up by 93,000; unemployment rate unchanged at 4.3% for third straight month**

**Reuters**
Washington

The US economy posted a third straight month of strong job gains in May, confirming the labour market was gaining traction after stumbling last year and giving the Federal Reserve more room to keep interest rates unchanged amid rising inflation due to the war in the Middle East.

The closely watched employment report from the Labor Department on Friday painted an upbeat picture of the jobs market. The economy added 93,000 more jobs in March and April than previously estimated and the unemployment rate held at 4.3% for a third consecutive month.

While financial markets boosted the chances of an interest rate hike in December, economists said the bar remains high for monetary policy tightening. Economists say fiscal stimulus, in the form of tax and import tariff refunds, has cushioned the impact of the US-backed war with Iran, which has stoked inflation through a surge in oil prices. Corporate profits have increased since the second quarter of 2025, allowing businesses to refrain from large-scale layoffs. Economists, however, warned of risks to the labour market if the war persists.

"This report is likely to confirm to the Fed that the labour market is in a stable place, allowing inflation to be the only focus and driver of Fed policy heading into the June meeting," said Sophia Kearney-Lederman, a senior economist at FHN Financial. Non-farm payrolls increased by 172,000 jobs last month after rising by an upwardly revised 179,000 in April, the Labor Department's Bureau of Labor Statistics said.

Economists polled by Reuters had forecast payrolls would increase by 85,000 jobs after a previously reported rise of 115,000 in April.

Estimates for job growth ranged from 50,000 to 125,000. The payrolls count for March was revised up by 29,000 jobs to 214,000. Economists estimated the economy needs to create between zero and 50,000 jobs per month to keep up with growth in the working-age population. The so-called break-even rate has dropped because of an immigration crackdown that has reduced the labor force, limiting the rise in the unemployment rate.

Hiring representatives speak with jobseekers during a job fair at Ronald Reagan Washington National Airport in Arlington, Virginia. The US economy posted a third straight month of strong job gains in May, confirming the labour market was gaining traction after stumbling last year and giving the Federal Reserve more room to keep interest rates unchanged amid rising inflation due to the war in the Middle East.

The labor market had been hampered by uncertainty over the Trump administration's implementation last year of sweeping tariffs, which made businesses cautious about boosting hiring. Though businesses are hiring, much of the improvement in job growth is likely due to historically low layoffs.

The US Supreme Court in February struck down the tariffs, and some businesses have filed for refunds. Large income tax refunds have allowed consumers to keep spending, though upper-income households are doing most of the heavy lifting.

The run of strong employment gains suggests the labor market could be breaking out of its "slow-hire, slow-fire" equilibrium.

US interest rate futures priced in about a 65% chance that the Fed would raise rates in December, compared with 48% earlier, according to LSEG estimates. The US central bank's benchmark overnight interest rate is currently in the 3.50%-3.75% range.

The dollar gained versus a basket of currencies. US Treasury yields rose, with the interest rate-sensitive two-year note hitting its highest level since February 2025. US stocks opened lower.

The leisure and hospitality sector led the broad increase in employment last month, with 70,000 jobs added, well above the average monthly gain of 14,000 over the past 12 months.

Payrolls at restaurants and bars rose by 48,000 jobs. These establishments could be hiring in preparation for the FIFA World Cup soccer tournament, which is being partly hosted by the US.

Local government employment increased by 55,000 jobs.

The healthcare sector added 35,000 jobs, most of them in ambulatory services. There were also increases in payrolls in the social assistance, mining, quarrying and oil and gas extraction industries.

But employment tied to financial activities dropped by 22,000 jobs and is down by 107,000 since a recent peak in May 2025. There were employment losses for insurance carriers and related activities as well as commercial banking. Annual wage growth slowed to 3.4% from 3.6% in April.

Inflation increased at its fastest pace in three years in April, the government reported last week.

Income at the disposal of households after adjusting for inflation has dropped for three straight months and the saving rate is at a four-year low, which economists said could undercut consumer spending.

"There is no compelling reason to expect the Fed to cut rates this year," said Kathy Bostjancic, chief economist at Nationwide. "At this point it is premature to anticipate a rate increase.

For the Fed to consider a rate hike, the jump in energy prices would need to push up prices of other goods and services away from the immediate direct impact and dislodge the so-far well-contained bond market inflation expectations."

# Irish GDP slump drags eurozone economy into red

**AFP**
Brussels

The eurozone economy recorded an unexpected contraction in the first quarter, dragged down by a sharp fall in Irish gross domestic product (GDP) -- a recurring distortion linked to the accounting practices of the many multinationals based in the country.

According to new data from the EU's statistics agency, GDP in the 21-country single currency area fell by 0.2% in the first three months of the year compared with the previous quarter -- sharply lower than its initial estimate of 0.1% growth.

The unusually large downward revision was due to a steeper-than-estimated drop in activity in Ireland -- now put at 12.1%, far beyond an initial two-percent forecast.

Ireland's Central Statistics Office said on Thursday the exceptional revision was due to the inclusion of data linked to multinationals, which carry enormous weight in the Irish economy. It is not the first time eurozone figures have been skewed by sharp movements in Irish GDP.

Last year, the same phenomenon occurred in reverse: the eurozone posted growth of 0.6% in the first quarter, half of which was explained by a 9.7% surge in Irish output over the same period.

The large swings are not tied to underlying economic activity but are purely the result of accounting operations by multinationals that have chosen the country as their European base to benefit from its very low corporate tax rates.

They include major pharmaceutical and chemical groups and, increasingly, US tech giants such as Apple, Google and Meta.

This reliance on multinationals with unpredictable effects was dubbed "leprechaun economics" by economist Paul Krugman a decade ago -- in reference to the mischievous elf of Irish folklore, said to hide pots of gold at the end of a rainbow.

While not exactly treasure, multinationals receive licensing revenues from their subsidiaries in other countries as part of tax optimisation strategies.

As the European Central Bank noted in a 2023 study, the "associated transactions in these intangible assets are often unrelated to euro area business cycle dynamics."

"Such transactions can be sizeable, irregular and instantaneous," the study said.

These erratic financial operations which are very large relative to Ireland's domestic economy thus generate heightened volatility in national and European statistics.

Rory Fennessy of Oxford Economics noted that "excluding the effect of Irish GDP, eurozone growth remains remarkably steady at around 0.2% per quarter."

# Chilling in money-market funds is the hot retail strategy now

**Bloomberg**
New York

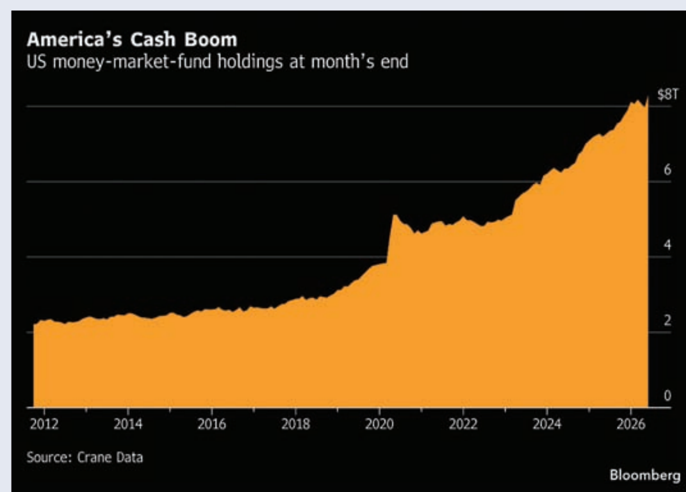
The stock market keeps setting records. Bitcoin has minted millionaires. Gold has peaked at new levels. Yet one of the most popular trades is to sit in cash or, more precisely, money-market funds. These plain vanilla vehicles, which invest in short term debt, have become the default parking spot for everyone from retail savers to corporate treasurers.

The US money-market industry now holds a record $8.29tn — almost twice the size of Japan's economy — after inflows topped $1tn last year, according to Crane Data LLC, which tracks the industry. The strategy's popularity has been accompanied by a Wall Street catchphrase, "T-bill and chill," which has come to signify investors' preference for the short-term Treasuries these funds often hold.

"Convenience is king with cash," says Peter Crane, president of Crane Data. "It's the ultimate hedge when other assets like Bitcoin and gold have done more going up and going down."

Stability in finance has been rare over the past decade as the Covid-19 pandemic, geopolitical conflicts and the rise of artificial intelligence unleashed uncertainty across global markets. The volatility has pushed safety-minded investors toward money-market funds, where the appeal is the combination of stability and returns. Yields on the 100 largest funds were near 3.5% at the end of April, according to a Crane Data index.

With long dated bonds still sensitive to shifts in interest-rate expectations, many savers have gravitated toward short term vehicles instead. Money market funds invest in very short dated government securities (though some can also hold high-quality short-term corporate debt), aim to maintain a stable $1 share price and adjust to changes in rates more quickly than bank deposits. That combination has made them a popular place to park cash,




especially for households and businesses with balances above the $250,000 federal insurance cap.

Jessica Perrone, who's spent 16 years as a financial professional and teaches personal finance, says two kinds of savers are moving toward cash. High net worth households — the type juggling summer spending, second homes and market highs — are reacting to climbing oil prices and corporate margins that look vulnerable.

But she's also noticing a shift among everyday workers in her financial wellness workshops, as conflicting headlines and market volatility push people to "start taking their chips off the table" by parking their money in more predictable assets.

Investors are calculating that they can get a decent yield with no risk "or maybe 5.5% to 6% elsewhere with the possibility of losses," says Jeff Judge, a managing partner at Chesapeake Financial Planners, who's observed similar trends among his clients. "For some, that's an easy decision."

To Amrita Bhasin, a 25-year-old tech worker in California, money-market funds feel easier to manage than, say, certificates of deposit, where cash is locked up for a specific period and subject to penalties.

"With money-market funds, I feel like I have more visibility and control over what's happening with my money," she says. "I want to understand where my money is, what yield I'm getting and how it's changing." The interest appears to extend to other age groups. Judge has seen higher demand for cashlike instruments among younger investors such as Bhasin, while Laurie Brignac, chief investment officer at asset manager Invesco Ltd, says the preference is also strong among American baby boomers.

While they're not necessarily disinvesting from risk assets, she says, "their investments are kicking off more cash," and the gains get redirected to safer holdings. Overall, money-market funds made up almost 4.5% of total wealth at the end of 2025, according to Federal Reserve data, compared with about 3% prior to the hiking cycle that began a decade earlier.

Even incoming Fed Chairman Kevin Warsh says he plans to keep much of his own wealth in such vehicles as he steps into one of the most scrutinised jobs in global finance. In his case, the unconventional nature of cashlike instruments is appealing. He recently disclosed assets with his wife, Jane Lauder, that total at least $192mn, and he'll have to comply with personal investing rules that were significantly tightened in 2022 after a series of embarrassing revelations of trading by Fed officials.