MONETARY POLICY | Page 4
Fed dissenters say higher rates needed to combat inflation

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BUSINESS

BULLISH TREND: Page 3
Korea stocks soar a record 17.9% on tech rebound

Partnerships, not output, will anchor the future economy: Sheikh Khalifa

By Peter Alagos
Business Editor

Qatar Chamber's top official has argued that a country's economic weight in the years ahead will rest less on how much it produces and more on how well it builds partnerships that convert knowledge into lasting growth.

"The future will belong not only to those who produce the most, but also to those who are best able to build partnerships, exchange knowledge, and turn cooperation into shared value for all," the chamber's chairman, Sheikh Khalifa bin Jassim al-Thani, pointed out.

Sheikh Khalifa stated in Al Moltaqa, the economic magazine of Qatar Chamber, that global supply chains are shifting and innovation hubs are moving faster than before, making international co-operation central to staying competitive.

"In a world marked by rapid economic and technological transformations, where supply chains are continuously evolving, and centres of innovation are shifting at an unprecedented pace, international cooperation has become an essential driver of competitiveness and a cornerstone for building the economy of the future."

He said the scale of a nation's output is no longer the main measure of economic strength; what matters more now is a country's capacity to turn strategic partnerships into sustainable growth, Sheikh Khalifa explained.

"Today, the future of the global economy is no longer measured solely by the scale of production, but increasingly by the ability of nations to forge strategic partnerships that can transform knowledge and innovation into sustainable growth opportunities," he further stated. Sheikh Khalifa pointed to Qatar's relationship with Germany as an example of that shift in practice, noting it has moved over more than five decades from a straightforward trade relationship into a broader partnership built on investment, knowledge exchange, innovation, and technology.

Qatar Chamber chairman Sheikh Khalifa bin Jassim al-Thani.

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"The Qatar-Germany partnership represents a strong example of this approach," he emphasised, adding that there is room to deepen that relationship further, citing the digital economy, artificial intelligence, advanced industries, food security, logistics and clean energy as sectors likely to shape the global economy going forward.

Sheikh Khalifa's remarks come against the backdrop of the '29th Arab-German Business Forum', held in Berlin from June 17 to 19, where Qatar Chamber served as a principal partner in organising the event.

The forum, which this year coincided with the 50th anniversary of the Arab-German Chamber of Commerce and Industry, drew ministers, government officials, chamber leaders, and executives from major industrial, technology, and financial companies, alongside investors, experts and entrepreneurs from Germany and the wider Arab world.

"Equally important were the discussions, which focused on developing practical partnerships in innovation, digital transformation, advanced manufacturing, energy, and sustainability. Bilateral meetings and roundtable discussions also enabled participants to move beyond dialogue and begin exploring concrete investment opportunities," noted Sheikh Khalifa, describing the various outcomes of the event.

Sheikh Khalifa said, "As part of this effort, Qatar Chamber organised a roundtable meeting with the State of North Rhine-Westphalia, in addition to a programme of meetings and visits to leading German companies. The objective was to strengthen direct engagement between business leaders and identify new partnership and investment opportunities that serve the interests of both countries."

He said the Qatar-Germany relationship rests on trust and a shared outlook between the two countries, giving it a solid base to reach for broader horizons.

"Today, there is a shared responsibility to translate dialogue into practical projects and investments that support sustainable development and reinforce the position of Qatar and Germany as partners in building a more innovative and sustainable economy. This will also contribute to the continued development of Arab-German relations in the years ahead," Sheikh Khalifa emphasised.

He added: "Building partnerships is no longer simply an economic choice; it is an investment in stability and prosperity. Guided by this belief, Qatar Chamber will continue working closely with its partners in Germany and the Arab world to transform the outcomes of the forum into practical initiatives and high-quality investments."

Adnoc to change oil pricing benchmark to Platts Dubai

Reuters
Singapore

Abu Dhabi National Oil Co (Adnoc) said on Friday it will change the benchmark for monthly official selling prices for all its crude grades to prompt-month Platts Dubai pricing from Murban crude futures from November 1.

The change, which applies to Abu Dhabi onshore and offshore crude grades, including Murban, Das, Umm Lulu and Upper Zakum, will align Adnoc's OSPs more closely with the month of loading, the company said in a statement. Adnoc will announce differentials to Dubai quotes for the grades in the month before cargoes load. "The new pricing mechanism reinforces Adnoc's commitment to pricing transparency for its growing customer and investor base," Adnoc said.

The company added it will continue to meet all of its obligations with regard to delivery of its Abu Dhabi onshore and offshore crude grades.

The move comes after the US-Israeli war on Iran disrupted oil exports from the Middle East through the Strait of Hormuz and caused deep hedging losses among traders who deal with Abu Dhabi oil.

The producer has been engaging customers about proposed changes for its OSPs since June. Adnoc has also been selling its crude cargoes via spot tenders since June at differentials to Dubai quotes.

The change in pricing mechanism is not expected to have a material impact on any Adnoc listed instruments, including issuances completed under Adnoc Murban's GMTN or Sukuk programmes, Adnoc said

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Following Adnoc's announcement, ICE Futures Abu Dhabi said it will continue trading for Murban crude futures contract months that have open interest while those without will be suspended from Friday.

Turkiye July inflation seen at 1.83%

Reuters
Ankara

Turkiye's monthly inflation rate is forecast to be 1.83% in July as continued uncertainty around the Iran war drives expectations of a slower-than-anticipated disinflation trend, a Reuters poll showed on Friday.

The median estimate of 13 economists puts annual consumer price inflation at 31.8% in July, slightly below June's print, with forecasts ranging from 31.60% to 31.93%.

According to the poll's median estimate, annual inflation is expected to ease to 29.70% by the end of 2026, remaining above the central bank's projections and up from a forecast of 29% in the month-earlier poll. Inflation forecasts for the end of this year have been consistently revised upward, mainly due to the impact of the Iran war on energy prices.

In June, consumer prices rose 0.99% month-on-month and 32.11% year-on-year, in line with forecasts. Turkiye's central bank raised its end-2026 interim inflation target to 24% from 16% in its inflation report published in May, forecasting that the short-term inflationary effects of the Iran war would remain "pronounced".

Morgan Stanley said it expects the disinflation process to stall in 2026 and rising energy prices, alongside elevated food inflation to push inflation expectations higher.

Nomura, in a recent research note said inflation continues to decrease despite some delays in meeting interim targets, under the new economic programme.

BP seeks to sell N Sea business as UK faces drilling dilemma

AFP
London

BP has launched moves to sell its North Sea business, the British oil and gas giant announced on Friday, as new Prime Minister Andy Burnham faces pressure to ease drilling restrictions in the area.

"The North Sea remains integral to the UK's energy system," BP chief executive Meg O'Neill said in a statement.

"However, as we focus our portfolio and direct capital to our highest-value opportunities, we believe our North Sea business will be better positioned as part of another company," she added.

BP's North Sea portfolio comprises five production hubs and employs about 1,100 people, the company noted on Friday as it maintained its commitment to the UK, which will remain home to its global headquarters.

BP, whose performance has generally fallen behind that of its rivals in recent years, has in recent times slashed clean energy investment as it pivots back to its more profitable oil and gas business.

But the North Sea is not seen as deriving much profit for the group, even if more drilling is allowed.

US President Donald Trump has repeatedly called on Britain to ramp up oil and gas production in the North Sea.

Trump claimed that Burnham said in a first call between the pair last week that the prime minister would "open up North Sea oil".

Questioned on the matter, Burnham told reporters Thursday: "I indicated in the phone call... that I would take a pragmatic approach when it comes to the North Sea, and that is my intention as we go forward. "There is a resource there. When people are struggling (with high bills), we can't ignore that," he added.

Ruling centre-left Labour took power in July 2024 promising not to issue any new oil and gas drilling licences as it bids to steer Britain away from fossil fuels towards renewable energy.

An oil platform in the Clair Ridge oilfield in the North Sea, 45 miles off the coast of Scotland. BP said yesterday it had launched a process to sell its North Sea business as it looks to focus on its "highest value opportunities".

Burnham, who replaced Keir Starmer as Labour Party leader and prime minister earlier this month, has vowed to abide by all the party's manifesto commitments published ahead of its general election win.

But the new PM has promised also the most radical governing agenda in decades to ease the cost of living, which has been made worse by the Middle East war pushing up energy bills. Burnham has already announced plans to remove value added tax (VAT) from electricity bills this winter.

Those favouring greater North Sea drilling argue that it would help to reduce such bills, while providing Britain with greater energy security -- seen as vital after Russia's invasion of Ukraine disrupted global supplies of fossil fuels and sent oil and gas prices surging.

BP on Friday said it was "launching a process to market its North Sea business for a potential sale", without being drawn on any potential suitors.

The *Financial Times* in June reported that BP held unsuccessful discussions regarding a possible sale to smaller British peer Ithaca Energy for £2bn ($2.7bn).

BP rival Shell last year merged its North Sea assets with those of Norway's Equinor.

It comes as energy companies wait to see if drilling at two offshore fields in the area -- Jackdaw and Rosebank -- will be allowed amid court battles and bureaucratic delays.

BP's latest announcement comes as it prepares to publish its second-quarter earnings on Tuesday.

Shell on Thursday said that its net profit tripled to $10.8bn in the April-June period as the US-Iran conflict sent oil prices soaring.

BP could also announce bumper profits, taking focus away from recent internal unrest.

The group faced a shareholder backlash at its annual meeting in April as investors rejected a resolution that would have reduced its climate reporting requirements.

That coincided with O'Neill becoming CEO, whose immediate task has been to also slash costs.

In May, BP unexpectedly removed Albert Manifold as chairman, citing "serious concerns" about governance standards, oversight and conduct at the company, which he has denied.

Europe's energy transition is now an economic security race

By Martin Vladimirov
Sofia

While Europe's vulnerability to energy supply disruptions has declined significantly since the 2022 Russia crisis, the region faces another insidious threat: high energy prices that are hollowing out the continent's industrial base.
Europe has weathered the global energy squeeze caused by the Iran war that began on February 28 relatively well thus far, largely thanks to massive investments in liquefied natural gas terminals, mandatory gas storage and increased reliance on US LNG. European gas prices have risen, but the region has yet to enter true crisis mode, as it did in 2022 following Russia's full-scale invasion of Ukraine.
But the Iran conflict has also demonstrated that Europe's exposure to global fossil fuel markets leaves it vulnerable to shipping disruptions, geopolitical instability and competition with Asian buyers for LNG.
As long as imported fossil fuels determine electricity prices, every external shock risks translating into higher costs for European households and industry.
European natural gas and electricity prices were down 34% and 14%, respectively, from their 2022 averages by the end of 2025. Even so, they remained about 50% and 38% above pre-war levels.
Elevated energy prices have already had a significant economic impact in Europe. The continent lost more than one million industrial jobs between 2019 and 2023. Germany, previously considered Europe's growth engine, shed another 143,000 in 2025, according to Handelsblatt.
This was due to many factors, including pandemic-related disruptions, elevated inflation and increased competition from China in advanced manufacturing, but higher energy prices also played a major role, partly because they made it more challenging for European manufacturers to compete.
Europe, therefore, risks faster deindustrialisation if affordable electricity remains scarce.
The 2026 Energy and Climate Security Risk Index (ECSRI), which we developed at the Center for the Study of Democracy, shows that affordability has overtaken geopolitics as the largest source of energy security risk for most European economies.
Affordability risks fell by 13% year-on-year in 2025 but remained much higher than in 2021. Countries most dependent on fossil fuels - like Poland, Bulgaria, Romania and Greece - face structurally higher energy costs and weaker industrial competitiveness over the long term.
The most energy resilient countries in Europe - including Sweden, Finland and France - offer a different model. They combine low-carbon power, including nuclear and hydropower, with fast-growing solar and wind capacity and high levels of electrification. When the Iran war disrupted LNG flows through the Strait of Hormuz in March, average wholesale electricity prices in Germany were higher than in Finland, Sweden and France by €61, €33 and €35 per megawatt hour, respectively, according to the Electricity Maps data platform.
The reason is largely that gas rarely sets power prices in these highly electrified systems. Electricity already accounts for around 30% of final energy consumption in both Finland and Sweden, far above levels in much of Europe, while France's electricity system benefits from receiving over 70% of its power from nuclear.
This suggests that Europe's long-running debate over nuclear versus renewables isn't the correct one. The strongest-performing electricity systems are those that combine both. Unfortunately, Europe still lacks the institutional framework needed to deploy a more balanced energy system both reliably and quickly across the continent.
True, Europe's electricity system is changing at unprecedented speed. Installed solar capacity in several Central and Eastern European countries almost quadrupled between 2021 and 2025, while EU battery storage expanded 10-fold, according to Eurostat.
Yet the rapid growth of intermittent renewables is placing increasing pressure on electricity grids, storage and balancing systems - vulnerabilities highlighted by last year's Iberian blackout.
Countries that combine renewables with reliable, low-carbon generation, stronger interconnections and greater investment in grid infrastructure appear to be significantly more resilient than their more fossil-fuel-dependent peers.
Another issue is that new nuclear projects continue to face fragmented regulation, lengthy permitting, financing constraints and supply-chain bottlenecks that drive up costs and delay construction.
So what might be done? For starters, instead of treating every project as a bespoke national undertaking, the EU could develop common deployment programmes based on standardized procedures and commercially viable financing models that allow successful designs and delivery models to be replicated quickly across multiple countries. The race to develop a competitive AI ecosystem is turbocharging this energy security race. AI data centres and advanced semiconductor manufacturing require enormous quantities of reliable, low-carbon electricity.
They also depend on secure supply chains for critical raw materials, batteries, semiconductors and advanced grid equipment, areas where Europe remains heavily dependent on Chinese manufacturing. Unless Europe diversifies these supply chains, it risks replacing one strategic dependency with another.
In the AI age, energy security is no longer just about supply. It is about whether the continent can deliver enough affordable, clean and reliable electricity to sustain industrial competitiveness, technological leadership and economic sovereignty.
The countries that understand this shift will define Europe's next decade. Those that do not will be left behind.

■ *The opinions expressed here are those of the author, the director of the Geoeconomics Program of the Center for the Study of Democracy.*

US Treasury 'twist' flags end of Fed's interest rate hikes

Reuters
New York

The US Treasury building in Washington, DC. A sharp shift towards a steeper US Treasury bond curve following the Federal Reserve's decision to leave interest rates unchanged this week has raised concerns about the central bank's credibility and willingness to fully confront inflation.

A sharp shift towards a steeper US Treasury bond curve following the Federal Reserve's decision to leave interest rates unchanged this week has raised concerns about the central bank's credibility and willingness to fully confront inflation.
The drop in front-end yields, even as those on longer tenors climbed, suggests growing scepticism the Fed will raise rates again, analysts said, despite Chair Kevin Warsh's insistence on Wednesday that policymakers "will not hesitate to act" if price pressures fail to ease.
After the Fed left rates steady, despite three officials dissenting in favor of a hike, Treasury yields initially fell across maturities as investors welcomed the absence of an immediate rate increase.
That reaction quickly gave way to a more striking pattern. Yields on shorter-dated Treasuries continued to decline while those on longer-dated notes and bonds surged, particularly at the 30-year end of the curve, which soared to its highest in 19 years.
The result was a pronounced steepening of the yield curve that some investors interpreted as a sign markets are losing confidence in the Fed's commitment to fight inflation. Zachary Griffiths, head of macro and investment grade strategy at CreditSights, described the move as a "twist steepener" and "an unhealthy response" to the Fed's policy decision.
The steepening persisted on Thursday, widening the gap between short- and long-dated yields across both the 2-year/10-year and 2-year/30-year segments of the curve.
"The twist in the curve tells you that the market thinks the Fed is not about to launch an aggressive rate hike cycle," said Chip Hughey, managing director of fixed income at Truist Wealth. "That may be potentially good for growth, but it injects more uncertainty into the Fed's fight against inflation."
One explanation for the Fed's decision to stand pat, analysts said, is that financial conditions have already tightened significantly without any additional action from policymakers.
Fed Chair Warsh argued that markets have effectively done much of the work themselves, pushing both nominal and inflation-adjusted Treasury yields higher as investors respond directly to incoming economic data rather than relying on Fed guidance.
So far in July, 10-year yields have climbed 25 basis points, the largest one-month rise since March.
Yield-curve steepening typically indicates that markets are pricing in cuts or no further hikes.
In a traditional "bear steepener", yields rise, with those on the long end increasing faster than shorter-dated notes. This time, however, short-term yields fell, while long-term bonds rose further, producing an unusual divergence in rate expectations.
Analysts said the move also reflected an unwinding of aggressive bets that the Fed would fight inflation by either raising rates in July or signalling additional tightening is imminent after Middle East tensions escalated this month. Markets had fully priced in roughly 25 basis points of tightening by September, while the spread between 2-year and 10-year yields flattened, sliding 5 basis points the week before the meeting.
Guneet Dhingra, head of US rates strategy at BNP Paribas, said the steeper curve suggested much of the inflation-fighting credibility the Fed gained after its June meeting had now been lost. Without a clear signal that rate increases remain on the table, he said, that credibility could erode further.
"The market was disoriented by this new Fed approach of providing less guidance," said Nicolò Bocchin, global co-head of fixed income at Azimut Group. That, he said, meant investors were concerned about inflation and pricing it into long-end bonds.
Next week's July nonfarm payrolls report could provide a critical test of that view.
CreditSights' Griffiths said if next week's employment data is stronger than expected, that may reinforce concerns the Fed should have raised rates this week and accentuate the curve steepening. A weaker report, however, could trigger a sharp reversal by easing fears the Fed is falling behind the inflation curve.

Santander offers to buy remaining 10% of Brazilian unit

Reuters
Madrid

Spain's Santander has offered to acquire the remaining around 10% stake it does not already own in its Brazilian unit through a share swap for around €1.9bn ($2.19bn), it said on Thursday.
Santander Brasil on Wednesday reported its weakest quarterly profit and profitability since late 2023, missing market expectations as tighter lending spreads and higher provisions for bad loans weighed on earnings.
The eurozone's biggest lender by market value said the offer will be voluntary, does not seek the delisting of Santander Brasil, and is not subject to a minimum acceptance condition.
Santander's share swap implies a 15% premium over Santander Brasil's closing price on Thursday.
Santander increased its stake in its Brazilian unit in 2014 in a deal that could also have included all of the remaining shares.
The bank announced the delisting of its Mexican unit in 2023.
JPMorgan said in a note that the offer was "disappointing and below the initial 20% premium offered back in 2014".
While an offer has been expected since the 2014 tender, "we are unsure if the best timing would be right after a very weak earnings print", the broker said, as the credit cycle may get worse in Brazil.
However, it also said the deal could be welcomed by Santander shareholders, especially as Santander believes the subsidiary could be capable of achieving a return on tangible equity - a measure of profitability - of above 20% by 2028.
Santander said the deal was expected to increase earnings per share by approximately 0.5% from 2028 and tangible book value per share by approximately 0.6%, while having a neutral impact on capital ratio.
If all minority shares are tendered, the Spanish parent will issue about 156 million new shares, equivalent to about 1.1% of its current share capital.
In a statement, Santander Chair Ana Botin said Brazil offered "significant opportunities for profitable growth".
At 0848 GMT, shares in the parent company Santander were up 1.5% compared to a 0.8% rise in Spain's blue-chip Ibex-35.
Shares in the Brazilian unit, which had an initial public offering in Sao Paulo in 2009, closed down 1.48% on Thursday before the announcement was made.
So far this year they have fallen more than 21% compared to a nearly 10% increase in the Brazilian equities benchmark stock index Bovespa.

Amazon beats expectations in second quarter with cloud and AI growth

AFP
San Francisco

Amazon beat analysts' expectations on Thursday when it reported growth in overall revenue and sales, particularly in its cloud, artificial intelligence and chips divisions.
Its revenue increased 20% to more than $200bn in the second quarter, compared to last year, with its cloud business, Amazon Web Services, jumping 37% to reach $42.2bn.
The company meanwhile said that two of its AI-related divisions grew by "triple-digit percentages" -- its AI cloud and chips businesses each "exceeded" $25bn annual revenue run rates, a measure of recurring sales.
Amazon stock jumped by more than 7 percent after hours.
The company is working to show that its heavy investments in artificial intelligence, alongside the rest of the tech sector, are paying off.
AWS is "booming," Amazon CEO Andy Jassy said during a call with analysts Thursday afternoon.
He added that the company believes AWS alone could "very possibly be a trillion-dollar annual revenue business for us in time."
The company has developed its own AI models, known as Nova, though a recent report from Business Insider said the company is winding down that work.
"AWS and Amazon can have a wildly successful business without its own frontier model," Jassy said on Thursday, but he denied it was abandoning the effort. "We are pursuing our own frontier model."
It also offers customers access to dozens of other models from developers, including those from OpenAI, which makes ChatGPT, and Anthropic, which makes Claude.
Some AWS customers are even using the service "to build their own foundation models," which are "smaller models that leverage their proprietary data," rather than using bigger AI models from other competitors, Jassy said.
Amazon has made investments and signed partnerships worth billions with both OpenAI and Anthropic.
Amazon, Microsoft, Alphabet and Meta are collectively on track to pour around $700bn into AI data centers, chips and computing infrastructure this year.
On Thursday, Amazon increased its estimate for capital expenditures in 2026.
It now expects to spend $220bn this year, up from its previous estimate of $200 billion, Jassy said. On Wednesday, Microsoft adjusted its forecast for total spending in the 2026 calendar year to $175bn, down from $190bn previously.
The maker of LinkedIn and Xbox likewise showed growth in revenue and profits, and said that its AI-powered business productivity tool, called Copilot, grew to over 30mn paid users.
Microsoft shares soared over 15% on Thursday after reporting results on Wednesday that beat expectations.
Meta meanwhile raised its spending estimate to as much as $145bn this year.

Supply snarls hit Cook's Apple forecast

Reuters
New York

Apple shares fell nearly 10% yesterday after a disappointing forecast showed that the iPhone maker was struggling to secure enough components as the AI-driven data centre boom strains global supply chains.

Apple shares fell nearly 10% on Friday after a disappointing forecast showed that the iPhone maker was struggling to secure enough components as the AI-driven data centre boom strains global supply chains.
The drop, if sustained, would mark the stock's worst day since the pandemic-driven selloff in March 2020. It would erase nearly $500bn from Apple's market capitalisation and return the crown of the world's most valuable company to AI chip giant Nvidia, days after reclaiming it.
Tim Cook, widely hailed as a supply-chain genius, called the shortages "very significant" and said Apple had limited options to address them, speaking on his final earnings call as CEO before handing the reins to John Ternus in September and becoming executive chairman.
"If even at Apple's scale they are saying they are out all supply chain flexibility, it's really bad for everyone," said Ben Bajarin, CEO of tech consultant Creative Strategies. Big Tech has been scooping up advanced chip-making capacity and memory chips to power its AI data centers, sparking shortages and price increases that are expected to shrink both the personal computer and smartphone markets this year.
Apple had cushioned some of the blow from surging memory costs by drawing on stockpiled inventory, but Cook said that the buffer was fading and shortages of processors were keeping it from meeting strong demand for iPhones and Macs. Its forecast on Thursday for revenue growth of between 9% and 11% in the current quarter fell short of Wall Street's roughly 12% estimate, and softer growth in its services business also overshadowed otherwise strong June-quarter results.
The services weakness worried investors as it came during a stretch of strong iPhone sales, which typically feed the business that takes a cut of App Store purchases and includes everything from Apple Music to Apple TV.
That slowdown could deepen if iPhone sales take a hit from a price increase that many analysts expect during the launch of the new lineup, which typically happens in September.
"Apple's leverage over the supply chain appears to be in question and it's not clear that AI is serving as any measurable tailwind to products or services, with its future monetisation impact still uncertain," Morgan Stanley analysts said.
"In fact, one could argue App Store softness might even be a result of AI re-prioritising customer time."

Korea's Kospi soars 17.9% on tech stocks rebound

AFP
Hong Kong

Korean stocks soared a record 17.9% on Friday as Asian tech firms performed a blistering recovery from an extended sell-off, with beaten-down chip giant SK hynix rocketing almost a third as the AI boom roared back.

In Seoul, the Kospi closed up 17.9% to 6,595.45 points; Tokyo - Nikkei 225 ended up 4.0% to 64,362.02 points; Hong Kong - Hang Seng Index closed down 0.2% to 25,803.27 points and Shanghai - Composite ended up 0.7% to 3,832.26 points yesterday.

After four weeks of blood-letting fuelled by worries over the vast sums being invested in artificial intelligence, traders raced to pick up bargains following a series of strong earnings.

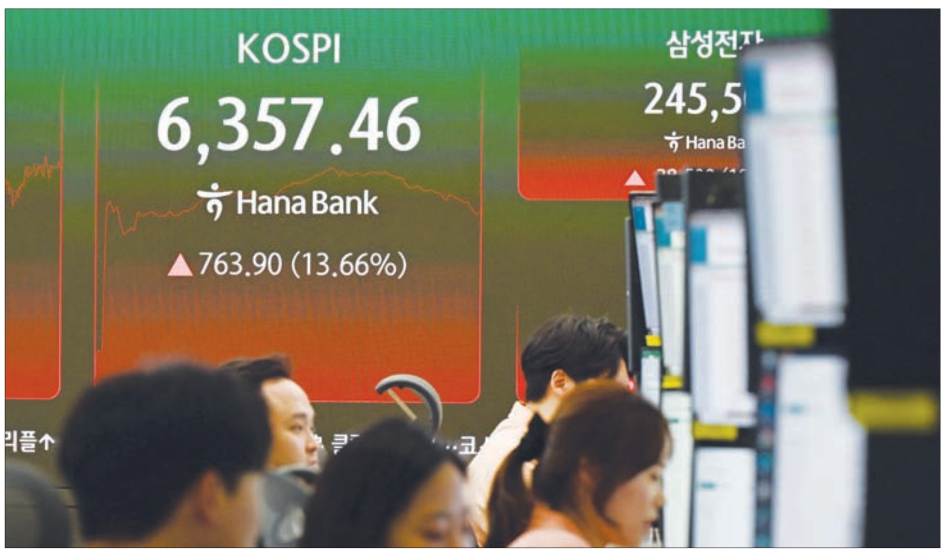
Seoul's Kospi had been at the forefront of the sell-off after hitting a record high a month ago, with chipmakers SK hynix and Samsung the poster children of the rout, losing around half their value in the panic.

However, the voracious buying sentiment that had characterised markets for much of the past two years was back as bargain hunters returned and traders took heart in a series of announcements.

US giants Microsoft and Amazon unveiled healthy earnings this week that saw their shares storm higher on Wall Street, helping the Nasdaq pile on almost three percent.

Analysts note that while tech firms have suffered heavy selling in recent weeks, that was focused on concerns about when the huge sums invested in AI would see returns rather than fundamental problems in the sector.

The Kospi's eye-watering rally was helped by news



Dealers work near an electronic screen showing Korea's benchmark stock index in a foreign exchange dealing room at the Hana Bank headquarters in Seoul. The Kospi closed up 17.9% to 6,595.45 points yesterday.

South Korea's government planned to pump almost $14bn into its sovereign wealth fund for AI investments and data centres.

Officials had earlier pledged to introduce measures to curb retail traders' access to leveraged exchange-traded funds (ETFs), including limits on individuals' investment in them, which had been partly blamed for the recent panic-selling.

Analysts also pointed to a report saying hedge fund Citadel bought a large part of the AI stocks held by hedge fund Situational Awareness, which had investments in several Asia-based firms including SK hynix and had been offloading.

SK hynix surged 30% -- wiping out its losses from the previous two days -- helped by confirmation that Chey Tae-won, chair of parent company SK Group, had bought around $3mn worth of shares, his first purchases in a personal capacity.

The move was seen as a major vote of confidence in the company after the rout.

Chey had dismissed the swings as a market adjustment earlier this month, saying investors should take a long-term view, adding that "memory chips will always be needed, so their value will eventually rise over time".

Samsung Electronics spiked almost 27%.

Ryu Hyung-keun, of Daishin Securities, told AFP investors had become "increasingly sceptical about how much further memory chip prices could rise".

But Chey's purchase of company shares had been interpreted by investors as "a positive signal", he said.

The buying spree was mirrored in Tokyo's four percent rally, with tech giant Advantest piling on 16%, chipmaker Kioxia 17.7% and tech investment titan SoftBank 13.8%.

Taipei jumped eight percent thanks to a 10% jump in chipmaker TSMC.

Shanghai, Sydney, Mumbai, Bangkok and Jakarta were also up, while London, Paris and Frankfurt advanced at the open.

There were small losses in Hong Kong and Singapore.

The yen held its gains against the dollar a day after rallying amid speculation that Japanese authorities intervened to prop up the currency, which had been sitting around 40-year lows.

The Japanese unit strengthened to 158.98 to the greenback on Thursday -- its best level since mid-May -- from more than 163 before paring the gains. It suffered a wobble on Friday after the Bank of Japan held interest rates but regained its losses soon after.

The currency has come under increasing pressure from the wide gap between Japanese and US interest rates, and expectations the Federal Reserve will hike soon, while the Bank of Japan has been slow to do so despite elevated inflation.

Forecasts for an intervention had been growing as the yen weakened last month past 160 per dollar, the level at which the government last stepped in by spending more than $70bn in May.

Oil prices dropped two percent, extending Thursday's retreat, amid easing Middle East tensions.

BoJ nods to chance of early rate hike as Tokyo props up yen

Reuters
Tokyo

Bank of Japan Governor Kazuo Ueda.

The Bank of Japan (BoJ) on Friday warned for the first time that underlying inflation could exceed its target and said future policy discussions would focus on upside price risks, signalling the chance of a rate hike as soon as September.

The hawkish signals came after the government's suspected yen-buying market intervention in New York markets on Thursday that underscored Tokyo's concern over the pain the weak yen was inflicting on households through rising import costs.

"Given underlying inflation is approaching our 2% target, we must be mindful of upside price risks more than ever. We will debate our policy from our next meeting onward with this point in mind," Governor Kazuo Ueda told a news briefing, referring to the bank's September policy meeting.

"At a time when there is a risk of underlying inflation overshooting, delaying necessary policy action could materialise such a risk and hurt the economy," he said, warning risks of an inflation overshoot were "too big to ignore." At the two-day policy meeting that ended on Friday, the BoJ kept short-term interest rates steady at 1%, as widely expected after a hike to the 31-year-high level just last month. The BoJ's decision and its hawkish statement pushed up the two-year Japanese government bond yield. The yen initially posted little reaction to the decision but jumped sharply in European morning trade, with traders alert to the prospect of fresh intervention. It was not immediately clear what drove the market move on Friday or whether Japanese authorities were in the market.

Board member Hajime Takata was the sole dissenter to the decision, calling for a rate hike to 1.25% to respond to inflationary risks from external demand shocks.

In a quarterly outlook report, the BoJ flagged robust AI demand and exchange-rate fluctuations, as well as Middle East developments, as key inflation risks that could affect the pace and timing of future interest rate hikes.

HK growth slows in second quarter

AFP
Hong Kong

Hong Kong's economy grew 4.3% in the second quarter, official data showed on Friday, helped by a surge in exports on the back of the global AI rally, but short of economists' expectations. Authorities said the robust external trade and resilient domestic demand contributed to the showing, which exceeds the the government's annual growth goal of 2.5-3.5% for 2026.

But the advanced estimate is below the 4.9% that economists surveyed by Bloomberg had expected, and down from 5.9% in the first three months in 2026 -- the city's best quarterly performance since 2021. Total exports of goods in the second quarter rose 28.8% over the same period last year, accelerating from 23.8% growth in the first quarter.

Imports of goods grew 29.3% and private consumption expenditure 2.9%, while seasonally adjusted GDP decreased 0.6% from the previous three months, a government spokesperson said.

As a key entrepot for China, Hong Kong is facing headwinds from Middle East tensions, uncertain US monetary policies and "trade protectionist measures among major advanced economies", the spokesperson said in a statement. "The lingering external headwinds... still warrant close surveillance."

The Chinese financial hub's economic outlook "should continue to pose solid growth in the second half" of this year, the statement said, adding that "vibrant global demand for artificial intelligence-related products should bolster merchandise exports".

Hong Kong's currency is pegged to the US dollar, making it susceptible to the impacts of Washington's monetary policies.

On Wednesday, the Federal Reserve held US interest rates steady, as households have been battered by years of high prices.

Chi Lo, senior market strategist at BNP Paribas, said in a note that the rationale "is to balance steady (still solid) economic and job growth against sticky and elevated inflation".

Copper's tariff dislocation risks becoming structural split

By Andy Home
London

The copper market was expecting US President Donald Trump to decide on whether to impose import tariffs on refined copper at the end of June.

It's been waiting over a year for a final ruling and it's still waiting.

The deadline for Commerce Secretary Howard Lutnick to make a recommendation to the president has come and gone with the White House yet to give away any clues to its thinking.

There's a strategic incentive not to say anything. The threat of tariffs has generated a premium for US delivery, attracting huge volumes of physical copper.

The country has in the space of 18 months accumulated a significant stockpile of a metal that is critical to both green and technological revolutions. This, however, is a problem for everyone else, as is becoming clear from the rapid declines in London Metal Exchange (LME) and Shanghai Futures Exchange (ShFE) stocks.

Moreover, the longer the tariff uncertainty reigns, the greater the risk of the current regional fracturing of the global copper market becoming a structural rift.

US imports of refined copper jumped by 80% year-on-year to 1.64mn metric tonnes in 2025.

Traders shipped metal through a wide arbitrage window as the CME's US price traded at a large premium over the international price traded on the London market.

The pace of arrivals has quickened again this year. Imports rose by 13% to 763,000 tonnes in the first five months, according to the World Bureau of Metal Statistics, which collates official customs figures. The tariff distortion on global copper flows is clear to see in the distribution of global exchange inventory.

CME warehouses currently hold 58% of the world's visible copper stocks, a ratio that has been steadily rising ever since Trump ordered an investigation into copper imports in February 2025.

The CME's share is likely to continue growing as ShFE stocks

A general view of molten copper at Anglo American's smelter in Chagres, Chile. The copper market was expecting US President Donald Trump to decide on whether to impose import tariffs on refined copper at the end of June. It's been waiting over a year for a final ruling and it's still waiting.

get cleared out and the fight for a slice of the shrinking copper stocks pie moves to the LME.

ShFE stocks have plummeted from a March high of 433,458 tonnes to just 69,610 tonnes, reflecting a tight domestic market.

Primary metal supply has dropped due to smelter maintenance and the scrap supply chain has been disrupted by a clampdown on circular invoicing.

After drawing down Shanghai exchange stocks, Chinese buyers are clearly hungry for more.

The Yangshan copper premium over the LME price, a closely watched gauge of Chinese import demand, has soared from $59 per tonne in June to a four-year high of $115, according to local data provider Shanghai Metal Market.

The Shanghai futures curve is steeply backwardated. The one-year spread is the tightest it's been since December 2025.

The scramble for metal not already heading to the United States has shifted to the London market.

LME headline stocks have fallen steadily from a May peak of just over 400,000 tonnes to 262,000 tonnes.

A flurry of cancellations, mostly at Asian locations, has left open inventory at six-month lows just above the 100,000-tonne level.

Another 118,000 tonnes of copper are sitting off warrant in LME warehouses, but 77% of this metal is in the United States waiting its chance to slip through the arbitrage window.

The LME forward curve has been tightening. The benchmark cash-to-three-month period flipped into backwardation earlier this month. The cash premium is now $33 per tonne.

While the threat of tariffs keeps the US copper price trading at a premium over London, the country is going to continue attracting metal. China is now competing with the US tariff premium, $200 per tonne on a spot basis, to replenish its own depleted stocks.

The LME is squeezed between these two gravitational forces.

The backwardation should attract more stocks, everything else being equal. But in this dislocated market, the cash premium will likely have to stay higher for longer to divert metal into LME warehouses. Low LME stocks and tight spreads could well become the new normal until such time as the US administration lays out its tariff plan. The problem for the rest of the world is that it has no pressing reason to do so as long as its strategic reserve keeps accumulating.

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

Private sector wage gains lift US labour costs in second quarter

Labour costs increase 0.9% in second quarter, slightly above economists' expectations for a 0.8% gain; private sector wages rise 0.9% amid surge in goods-producing industries

Reuters
Washington

US labour costs increased slightly more than expected in the second quarter as private-sector wage growth picked up, though the trend suggested the jobs market was not driving inflation.

The strength in wages reported by the Labor Department on Friday was concentrated in the goods-producing industries. Job growth accelerated between March and May. The momentum, however, fizzled in June. Economists describe the labour market as being stuck in a "low hire, low fire" state.

"Overall, the report highlights that strong job gains in the quarter did not translate into a meaningful increase in wage pressures," said Priscilla Thiagamoorthy, a senior economist at BMO Capital Markets. "Policymakers will be reassured that, although consumer inflation is still running above the 2% target, at least cost pressures are not coming from the labour market."

The Employment Cost Index, the broadest measure of labour costs, climbed 0.9% last quarter after advancing by the same margin in the January-March quarter, the Labor Department's Bureau of Labor Statistics said. Economists polled by Reuters had forecast the ECI would rise 0.8%.

Labor costs increased 3.4% in the 12 months through June after a similar gain in the year through March.

The ECI is viewed by policymakers as one of the better measures of labor market slack and a predictor of core inflation because it adjusts for composition and changes in job quality.

Wages and salaries, which account for the bulk of labour costs, increased 0.9% in the second quarter after rising 0.8% in the January-March quarter. In the 12 months through June, wages rose 3.2% after advancing 3.4% in the year through March. When adjusted for inflation, wages fell 0.3% in the year to June.

Private sector wages and salaries increased 0.9% last quarter after rising 0.7% in the January-March quarter. They advanced 3.1% in the year through June, slowing from the 3.4% gain in the prior period. Annual wages dropped 0.4% last quarter when adjusted for inflation.

US stocks opened higher. The dollar gained versus a basket of currencies. US. Treasury yields rose, with the yield on the 30-year bond near a 19-year high.

The Federal Reserve on Wednesday left its benchmark overnight interest rate in a 3.50%-3.75% range. Three members of the US central bank's policy-setting committee dissented.

They "preferred" a quarter-percentage-point hike. While inflation eased in June, risks are tilted to the upside amid war in the Middle East, now in its sixth month.

Goods-producing industries wages and salaries jumped 1.2% last quarter after gaining 0.4% in the January-March quarter. They were boosted by a 1.5% rebound in construction wages after being unchanged in the January-March quarter.

Manufacturing wages increased 1.0%.

Wages in service-providing industries climbed 0.8%, matching the prior quarter's gain. Wage growth in the wholesale trade industry braked sharply, rising only 0.1% after advancing 1.2% in the first quarter.

State and local government wages increased 0.9% after rising 1.0% in the January-March quarter. They increased 3.4% in the 12 months through June.

Benefit costs for all workers rose 1.0% after surging 1.2% in the January-March quarter. They increased 3.8% in the 12 months through June after increasing 3.6% in the year through March.

The slowdown over the quarter was mostly in the private sector, where benefits rose 0.9% after shooting up 1.3% in the first three months of the year.

Minneapolis Federal Reserve president Neel Kashkari.


Federal Reserve Bank of Cleveland president Beth Hammack.

Fed dissenters urge higher interest rates to combat inflation

Reuters
Washington

Two of the three Federal Reserve officials who dissented at this week's policy meeting in favour of an interest rate hike said on Friday that action is needed now to bring inflation back down to the US central bank's 2% target.

"Inflation has remained stubbornly above 2% for more than five years, and I am not confident it will return to our objective on its own," Cleveland Fed president Beth Hammack said in a statement released by her regional bank.

"A higher federal funds rate would help restrain economic activity and reduce inflationary pressures" and the economy can deal with higher interest rates given the stability of the job market, Hammack said. "I preferred to move at our recent meeting because I did not see the current policy stance as appropriately restrictive." In a separate statement, Minneapolis Fed president Neel Kashkari also expressed concern about inflation and said the Fed should have raised rates on Wednesday as the first in a series of hikes.

"To manage against the risk that high inflation could become entrenched, I would rather tighten policy incrementally as we gather more data on the path of inflation and employment," Kashkari wrote.

"If inflation remains elevated, in my view, a potential series of small policy moves would be better than waiting and eventually concluding that even bolder actions were necessary," Kashkari said. If inflation were to cool, the Fed could slow or pause the rate hikes "without unnecessary impact on the real economy," he added.

Hammack has hawkishly dissented in three of eight policy meeting votes while Kashkari has dissented six times in 30 votes, according to Wrightson ICAP. Dallas Fed President Lorie Logan was the third policymaker to support raising the central bank's benchmark interest rate by a quarter percentage point from its current 3.50%-3.75% range this week. The vote in favour of holding rates steady was 9-3.

The outcome of this week's policy meeting was unusually uncertain as new Fed Chairman Kevin Warsh has refused to provide insight into his monetary policy outlook.

Financial markets had priced in the possibility of a rate hike on Wednesday and broadly expect the Fed will raise rates at its September 15-16 meeting.

The central bank's preferred inflation gauge - the Personal Consumption Expenditures Price Index - rose 3.7% on a year-over-year basis in June and continues to face upward pressure.

Warsh's assertions on Wednesday of the need to tame inflation with no action to move it toward the 2% target and a hint that the goalposts themselves may change helped send 30-year Treasury yields above 5.2%, a 19-year high. They extended their rise on Thursday and Friday.

While inflation has moderated substantially from the levels seen during the Covid-19 pandemic, it has remained stubbornly above the Fed's target due in part to President Donald Trump's import tariffs and the sharp rise in energy prices resulting from the war in the Middle East.

Inflation is also being pressured higher by investment related to the artificial intelligence sector. The generally supply-related nature of the current inflation problem is particularly challenging for the Fed because its policymakers would traditionally hold off on any action in such a situation.

Kashkari said he agrees with the idea that monetary policy faces trade-offs when dealing with supply shocks. But he noted, "I increasingly believe that monetary policy does have an important role to play in addressing a series of successive supply shocks that might lead to entrenched higher inflation."

The Minneapolis Fed president also said the 1970s inflation surge was largely supply-driven and officials "ultimately concluded that tight monetary policy was necessary to bring inflation back down despite their original supply-shock diagnosis." Warsh, speaking to reporters on Wednesday, said the dissenting votes in part reflected a very active debate among policymakers.

IMF unlocks $1.8bn for Egypt after successful loan reviews

Egypt gains access to about $1.8bn after completing two IMF reviews; IMF said slower state divestment and large public financing needs remain key vulnerabilities; lender asses new law expanding Future of Egypt Authority's powers; successor programme talks have not started as Cairo prepares a post-IMF national programme

Reuters
Cairo

The International Monetary Fund (IMF) said on Thursday it completed two reviews of Egypt's loan programme, giving the country access to about $1.8bn, as the fund presses Cairo on slower-than-expected progress in reducing the state's role in the economy.

Egypt would receive about $1.5bn under the IMF's 48-month loan programme after completing the seventh review, along with roughly $272mn under the Resilience and Sustainability Facility.

The sum is expected to reach the state by August 3, IMF Mission Chief for Egypt Amine Mati told a press conference on Friday, noting that the RSF portion was doubled after Egypt met a climate-related reform benchmark ahead of schedule, Egypt's programme with the IMF was expanded to $8bn in March 2024, when the country was grappling with high inflation and foreign currency shortages. The global lender said Egypt's economy has remained resilient to spillovers from the war in the Middle East, aided by a more flexible exchange rate, fuel-price adjustments and curbs on state spending.

However, the fund warned of public debt, large gross financing needs, and a sizeable state footprint. Mati flagged the economy's exposure to oil-price swings, where "a $10 increase in the international oil prices would increase the deficit by about 0.3% of GDP."

He welcomed the planned resumption of Egypt's automatic mechanism that quarterly recalibrates domestic fuel prices to move them closer in line with international oil costs, adding that the 10% quarterly cap would still shield consumers.

Efforts to reduce the state's role in the economy and create greater space for private sector investment, including through divestment of state assets, have progressed more slowly than anticipated and need to be accelerated, the lender added.

Investment Minister Mohamed Farid Saleh has said that four state-owned companies are expected to be listed before mid-2027 and that the government had achieved or even surpassed targets for the IMF programme, such as the country's fiscal deficit and primary surplus.

The review came days after President Abdel Fattah al-Sisi ratified a law granting sweeping powers to the Future of Egypt Authority, an agency with a wide remit and roots in the military.

Mati said that the IMF was still "in the process of assessing all the implications" and stressing it was important to see how its expansion "remains consistent with the state ownership policy." He noted the authority previously operated mostly in food security, which sat outside the state ownership framework that was designed to reduce the role of the state.

On the shift from bread subsidies to cash transfers, Mati welcomed the move to a well-targeted social safety net, but said it must be "done very carefully" to identify vulnerable households.

He said Egypt's safety-net spending remains thin at 0.5, 0.6% of GDP. Talks on a successor arrangement after the programme concludes in December have not begun, Mati said. Sisi has meanwhile signaled that Egypt will not seek fresh IMF financing, directing officials to prepare a post-IMF "national programme," which Prime Minister Mostafa Madbouly said, on Thursday, would be finalised by the end of September.

Commerzbank to resume talks with UniCredit

Reuters
Frankfurt

Commerzbank's CEO Bettina Orlopp has told employees that there will be further talks with UniCredit about a potential tie-up as the Italian lender nears control in its €45bn ($51.80bn) hostile takeover approach.

The announcement, made to staff on the bank's intranet and seen by Reuters, marks a significant turn in the months-long wrangling over control of one of Germany's largest lenders.

Orlopp and her management team have long been opposed to a tie-up. There have been several rounds of talks in past months, but they have all fizzled out in disagreement.

"In the weeks and months ahead, Commerzbank and UniCredit will engage in discussions to determine, step by step, how to move forward," Orlopp told employees in the internal post on Thursday.

She said a goal was to strengthen the bank's systemic relevance to Germany, and "we intend to keep it that way." Handelsblatt first reported the statements.

A representative for UniCredit declined to comment. UniCredit CEO Andrea Orcel has recently said he wanted to negotiate with the German government and employees, talks that would sidestep Commerzbank management.

The German Finance Ministry, which oversees a 12% stake the German government has held since Commerzbank's bailout during the global financial crisis, also declined to comment.

UniCredit invested in Commerzbank in September 2024, launching a nearly two-year tug-of-war that pitted Italy's and Germany's No 2 banks against each other. UniCredit has since built a 48% stake in its rival.

German opposition to Orcel's overtures has been widespread, underscoring the difficulty of merging large banks across euro zone countries despite policymakers wanting more tie-ups to compete with bigger US rivals.

"The German federal government, employee representatives, and our supervisory board have all made clear that they now expect UniCredit to engage with Commerzbank constructively," Orlopp said. "And I think UniCredit is ready for that, too. Because without dialogue, there can be no value creation."

Bond market isn't buying what Fed chair Warsh is selling

By Jamie McGeever
Orlando, Florida

The plunge in long-dated US bond prices reveals two things about how investors view Federal Reserve Chair Kevin Warsh: His initial period is over, and his inflation-fighting credibility is under serious scrutiny.

The 30-year Treasury yield surged above 5.20% on Wednesday, the highest in two decades. The move snowballed in the wake of Warsh's press conference rather than immediately after the central bank's decision to keep interest rates on hold, a sign that bond investors were unimpressed with his plans - or lack thereof - to get inflation back to the 2% target, which it has been above for five years and counting.

This was Warsh's second post-meeting press conference after replacing Jerome Powell two months ago. He was given a pass at his first policy meeting in June, but since then he has expressed an unwavering commitment to end the era of above-target inflation, so the bar this time was much higher. The bond market's verdict? He failed to clear it. As the 30-year yield leaped to its highest point since 2007, yields at the short end of the curve fell, a sign that investors are less certain the Fed will raise rates at its next meeting. Indeed, rates futures pricing now suggests that the likelihood of a hike in September has fallen to around 55% from a near certainty earlier on Wednesday.

When the yield curve steepens primarily because of a sharp rise in long-dated yields, it is often a sign that bond investors believe the Fed won't act aggressively enough to bring down inflation and thus fear that inflationary expectations could become unanchored.

No Fed Chair can allow that perception to take root among investors, consumers, or businesses - especially not one who took office under a cloud of suspicion about his independence from a White House that has explicitly called for more dovish policy. That would be playing with fire, but Warsh appeared to stoke the flames on Wednesday. Warsh has stated that he thinks the Fed should communicate less, and perhaps he should take his own advice. His messaging was so muddled and convoluted that it left investors even more confused and anxious. The Fed's 2% inflation goal is based on the Personal Consumption Expenditures (PCE) price index. That's a fact, not an opinion, yet Warsh was surprisingly equivocal when asked what 2% measure the Fed is specifically targeting.


Federal Reserve chairman Kevin Warsh.

"I'll give two answers. First, let me give the proper, standard answer. The Federal Reserve every January outlines a statement of purposes and strategy. And in that strategy document ... it describes the measure of PCE inflation as the objective function there. That's our number, we're sticking with it."

But Warsh indicated it might be different next January, once the various task forces he is setting up come back with their findings. The second part of his answer was woolly, at best, raising legitimate concerns about his commitment to the 2% target. "When we talk about measures of inflation, and we describe those measures as being consistent with our objectives, we might make them such that they're not very good measures or very good objectives. ... I'm looking at a broader set of inflation data than PCE.

"So without fully revealing my cards, I'm trying to understand, like my colleagues, what's the underlying, generalized change in prices that are happening in the economy. It's not a perfect science. We (are) .. trying to look and see if we can separate the noise from the signal. Yes, I care about what the PCE prints are, I care about what the contributions are from CPI and everything else, but my lens is broader than that, even though the remit is quite narrow." Warsh also revealed little about how the return to price stability would be achieved. He indicated that markets have been doing some of the Fed's work for it, given the rise in bond yields in the six weeks between the June and July policy meetings. But why yields are rising matters. If market-based rates are being driven upward by Fed credibility doubts, relying on this kind of tightening is a risky strategy.

A bond rout could force the Fed to tighten more aggressively than it otherwise would have to restore its credibility. So, if this selloff continues, expect Fed officials to ramp up the inflation-fighting rhetoric - Wall Street's slump on Wednesday and the recent rise in US mortgage rates to the highest level in a year highlight the risks otherwise.

Warsh took a gamble when he eliminated forward guidance, especially during an uncertain period for the inflation outlook. Muddying the waters around the Fed's 2% inflation target is a gamble too. The bond market is flashing red that neither will pay off. As Oscar Munoz at TD Securities wrote on Thursday, "(Warsh's) honeymoon period has ended with a bang."

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