OFFICIAL DATA | Page 4

US consumer spending rebounds in February

Saturday, March 29, 2025
Ramadan 29, 1446 AH

GULF TIMES
BUSINESS

TRUMP TARIFFS: Page 2

Bets on US weakness are fuelling a rally in emerging markets

CQBF explores strategic Canada-Qatar partnerships at Montreal meeting

By Peter Alagos
Business Reporter

The Canadian-Qatari Business Forum (CQBF) recently held a pivotal meeting in Montreal with representatives from the Quebec provincial government to discuss ways to foster cooperation between Quebec and Qatar, focusing on strengthening ties in sectors of mutual interest, an official stated.

CQBF executive director Yasser Dhouib told *Gulf Times* that the event brought together key representatives from the Ministère des Relations Internationales et de la Francophonie in the Quebec government, including Nemer Ramadan and Charlie Martineau.

"During the meeting, the insights provided by Nemer Ramadan and Charlie Martineau added immense value to the discussions. Together, we explored a range of strategic initiatives aimed at deepening the ties between Qatar and Quebec," Dhouib explained.

He said: "Our conversations revolved around fostering investment opportunities, advancing trade collaborations, and unlocking the potential for innovation in emerging sectors such as artificial intelligence and healthcare.

"This dialogue highlighted the shared commitment of both regions to harness cutting-edge technologies for economic growth and social well-being. It was inspiring to witness the energy and enthusiasm for building a future of mutual prosperity and collaboration."

Dhouib said: "The exchanges were not only fruitful but also underscored the importance of creating sustainable and innovative partnerships between nations.

I look forward to seeing the ideas discussed during the meeting transform into tangible projects."

CQBF executive director Yasser Dhouib and Charlie Martineau of the Ministère des Relations Internationales et de la Francophonie during the meeting in Montreal.

The Montreal meeting underscores CQBF's strategic plans to foster robust ties with Qatar's key players and institutions in the Gulf nation's public and private sectors.

Earlier, the forum led around a dozen Canadian companies during the successful second edition of Web Summit Qatar held in Doha last February, playing a key role in strengthening business and technology ties between both countries.

Led by CQBF senior business adviser Ibrahim Abdel Halim and senior technology adviser Vartika Manasvi, the forum's participation in the summit aimed to position Qatar as a "gateway for Canadian businesses into the region while reinforcing its role as a technology hub."

During the summit, the CQBF delegation held meetings with multiple Qatari stakeholders to encourage Canadian companies to explore the country's investment climate and study opportunities to expand their footprint here.

Looking ahead, the CQBF is preparing for a significant visit to Qatar this coming April. The delegation, led by Philippe Couillard, the 31st Premier of Quebec, comprises prominent Canadian high-tech companies in healthcare and diabetes-related fields.

The visit is set to mark a strategic milestone for Canadian and Quebec investors, offering a closer look at Qatar's dynamic role as the hub of the GCC region. With numerous incentives already in place, CQBF believes that Qatar presents an exceptional opportunity for Canadian companies and investors eager to explore new horizons in a rapidly growing market.

Similarly, the upcoming visit underscores the shared commitment to forging sustainable partnerships that drive economic growth and innovation and promises to be a key element in deepening ties between both nations while aligning business interests with vibrant prospects in the region.

Qatar Airways Group and Virgin Australia get final nod from ACCC for integrated alliance

The final determination officially signals the green light for Virgin Australia's new 28 weekly flights between Australia and Doha – operated under a wet-lease with Qatar Airways – to proceed

Qatar Airways Group and Virgin Australia have received final go-ahead from the Australian Competition and Consumer Commission (ACCC) for the airlines' integrated alliance. This final determination officially signals the green light for Virgin Australia's new 28 weekly flights between Australia and Doha - operated under a wet-lease with Qatar Airways – to proceed.

"Today's announcement by the ACCC sends a clear signal of the appetite that exists for delivering competition, world-class service and value to Australian passengers," said Qatar Airways Group chief executive officer Badr Mohammed al-Meer. The ACCC's authorisation gives the Australian carrier access to the scale and expertise of a world-leading global airline and facilitates its re-entry into long-haul international flying; driving increased competition in the market, while delivering greater choice and value for Australian passengers.

Utilising aircraft wet-leased from Qatar Airways, Virgin Australia is set to commence long-haul flights from Sydney, Brisbane and Perth to Doha from June 2025, followed by Melbourne to Doha in December 2025. Through Hamad International Airport, the flights open up more than 100 connecting itineraries across Europe, the Middle East and Africa, and enable Australian passengers to benefit from a host of increased loyalty earn and redemption opportunities for Qatar Airways' privilege club and velocity members.

The flights will provide a significant boost to the Australian visitor and tourism economy, generating estimated 3bn dollars (Australian) in economic value over the next five years.

This follows the Australian government's approval of Qatar Airways Group's 25% investment in Virgin Australia on February 27, 2025 – joining existing majority shareholder Bain Capital. The collaboration arrangement will also support jobs growth, both in Virgin Australia and across the broader aviation and tourism sectors in Australia, with Qatar Airways set to provide secondment opportunities for 20 Virgin Australia pilots and 40 cabin crews in 2025.

Another focus area of the partnership is sustainability, which includes the development of sustainable aviation fuel initiatives. Terming the collaboration as the start of a new chapter in the relationship between two airlines, al-Meer highlighted their shared ambition to create healthy competition within the local aviation market, as well as our collective commitment to supporting Australian businesses, Australian jobs and the wider economy.

"This is a defining moment for Virgin Australia and the Australian aviation landscape. The ACCC's final approval of our deeper strategic partnership with Qatar Airways marks the start of a new chapter for our airline and a world of opportunities for our people and customers," Virgin Australia chief executive officer Dave Emerson said.

"Already, we are seeing some of the positive benefits of the partnership, including increased sale activity on airfares between Australia and Europe, the Middle East and Africa thanks to increased competition," he added.

Bain Capital Partner Mike Murphy said this important milestone allows the airlines to harness their collective strength and unlock new areas of cooperation for the benefit of Australian consumers.

External factors drag QSE down 111 points; M-cap erodes QR5.14bn

By Santhosh V Perumal
Business Reporter

Lack of clarity on the US' tariff policies and regional geopolitical tensions had their impact on the Qatar Stock Exchange (QSE), which saw its key index plummet as much as 111 points and capitalisation melt in excess of QR5bn this week.

More than 81% of the traded constituents were in the red as the 20-stock Qatar Index knocked off 1.07% this week which saw the listed companies cumulatively report net profit of QR51.17bn in 2024.

The Arab individual investors were seen net profit takers in the main bourse this week which saw Lesha Bank acquire an indirect stake in Edinburgh Airport.

The local retail investors were also seen bearish in the main market this week which saw Gulf Warehousing (GWC) sign strategic service agreement with Huawei.

The domestic institutions' weakened net buying had its influence in the main bourse this week which saw a total of 0.13mn AlRayan Bank-sponsored exchange traded fund QATR worth QR0.29mn trade across 30 deals.

The foreign funds continued to be net sellers but with lesser intensity in the main market this week which saw as many as 0.01mn Doha Bank-sponsored exchange-traded fund QETF valued at QR0.16mn change hands across 21 transactions.

The insurance counter witnessed higher than average selling pressure in the main bourse this week which saw no trading of sovereign bonds.

The Islamic index was seen declining slower than the main barometer of the main market this week, which saw Knight Frank, a global property consultancy, find that leading international hotel brands accounted for 60% of Qatar's total 40,755 hotel rooms during 2024.

Market capitalisation eroded QR5.14bn or 0.85% to QR600.7bn on the back of large and midcap segments this week which saw Mekdam Holding "aggressively" pursue opportunities within the QR3bn pipeline under negotiation as it seeks to strengthen its presence in high-growth sectors such as technology and engineering.

Trade turnover and volumes were on the decrease in the main market; while the junior market's trade volume and value were on the rise this week which saw no trading of treasury bills.

WEEKLY REVIEW

The Total Return Index shrank 0.45%, the All Islamic Index by 0.62% and the All Share Index by 0.53% this week which saw the industrials and banking sectors together constitute about 57% of the total trade volumes.

The insurance sector index plummeted 3.76%, industrials (1.05%), realty (1.01%), telecom (0.61%), consumer goods and services (0.39%) and banks and financial services (0.3%); while transport gained 0.71% this week which saw Moody's report that said Qatar meets more than 40% of its total freshwater demand from desalination, with significant government subsidies to cover production costs.

Major losers in the main market included Mekdam Holding, Commercial Bank, Qatar Islamic Insurance, Qatar General Insurance and Reinsurance, Qatar Cinema and Film Distribution, QIIB, AlRayan Bank, Dukhan Bank, Qatar Oman Investment, Qatari German Medical Devices, Salam International Investment, Mannai Corporation, Al Faleh Educational Holding, Qamco, Qatar Insurance, Mazaya Qatar, Barwa and Vodafone Qatar. In the junior bourse, Techno Q saw its shares depreciate in value this week.

Nevertheless, Estithmar Holding, Milaha, GWC, Mesaieed Petrochemical Holding and Woqod were among the movers in the main bourse this week.

The Arab individuals were net sellers to the tune of QR17.26mn against net buyers of QR11.83mn the week ended March 20.

The Qatari retail investors turned net sellers to the extent of QR11.47mn compared with net buyers of QR26.7mn a week ago. The domestic institutions' net buying declined noticeably to QR160.37mn against QR185.4mn the previous week. However, the Gulf funds were net buyers to the tune of QR42.48mn compared with net sellers of QR4.63mn the week ended March 20.

The foreign individual investors' net buying expanded markedly to QR11.52mn against QR2.55mn a week ago.

The Gulf retail investors' net buying strengthened marginally to QR1.78mn compared to QR0.75mn the previous week. The foreign institutions' net selling decreased significantly to QR102.63mn against QR222.6mn the week ended March 20.

The Arab funds had no major net exposure compared with net buyers to the extent of QR0.05mn a week ago.

The main market witnessed a 32% plunge in trade volumes to 587.77mn shares, 29% in value to QR1.85bn and 48% in deals to 71,475 this week. In the venture market, trade volumes jumped more than nine-fold to 0.98mn equities and value by more than nine-fold to QR2.8mn on 11% jump in transactions to 41.

AT1 demand is so strong that risk of skipped calls is rising

Bloomberg
Frankfurt

Demand for the riskiest type of bank debt has been so strong lately that issuers have been able to sell the securities on favourable terms. Deutsche Bank AG just reminded investors of the added risk that creates.

It was touch and go whether the German lender would redeem an Additional Tier 1 note it had issued in 2014. In the end, it opted not to, breaking with convention, though that worked out fine for bondholders — under the terms of the bond, its coupon now doubles.

But bonds hitting the market now might not offer such a hefty jump in coupon if the issuer decides not to call the security in a few years' time because the new AT1s coming to market are pricing with very tight spreads.

Deutsche Bank's new euro AT1 sold on Monday — just one business day after skipping the call on its dollar AT1 — priced with the tightest reset spread for the bank since 2021, while still pulling in about €10bn of investor demand.

AT1 securities are perpetual, meaning they have no maturity date, though issuers have the option to redeem them on specific dates. Investors generally expect banks to do just that — repay them at the earliest opportunity.

With reset margins decreasing, issuers have less incentive to call these instruments, elevating the likelihood they will be left outstanding beyond their initial call dates. So while new issues offer attractive coupons for now, investors could be stuck with the securities in the years to come. And the smaller reset margin, the more exposed investors are to moves in the underlying rate.

"When the market tightens people tend to forget they are buying perpetual bonds, on the notion that everything is called," said Sebastiano Pirro, chief investment officer at asset manager Algebris. "AT1s are easier to consider when spreads are ample."

This unease about the deals with tight margins is even manifesting in how they have traded in secondary markets. An index of AT1s from European banks has lost 2.5% this month and returns for the asset class are now negative year to date. The securities are the first layer of bank debt to absorb losses if a financial institution runs into trouble and are part of their regulatory capital holdings.

For now, fresh deals like Deutsche Bank's are meeting with strong demand because yields remain very compelling — the German lender's debt was priced with a coupon of 7.125% — and European lenders have a track record of almost always calling the bonds.

"Call expectations are deeply embedded in the mindset of AT1 bondholders," said Jakub Lichwa, a portfolio manager at TwentyFour Asset Management. "When banks fail to meet expectations of this small group of bondholders, this can have an impact on the pricing of future bonds and even some widening of senior debt so the overall impact on the bank can be disproportionate to the benefit gained."

Still, not everyone is buying. For Christian Hantel, head of global corporate bonds at Vontobel, the risk that the low reset margins introduces is enough to avoid new deals completely. He prefers to buy older AT1s, "some of them trading a little bit above par, but at the same time they give you a very high coupon and the structure of the deal is very investor friendly," with a high reset spread as "the best incentive for the issuer to call the security."

To be sure, the risk of banks not calling their AT1s is relatively limited for now, said Simon Adamson, an analyst at research firm CreditSights.

"As it happens, most of the AT1s with calls in 2025/26 have reasonably wide spreads," he said. "It's not until 2027/28 that we start seeing tighter reset spreads."

Raiffeisen Bank International AG is one issuer that might have an incentive to skip a call, according to Suvi Platerink Kosonen, senior financials analyst at ING Bank. The bank has two calls approaching in June, and one of the deals carries a relatively low reset level at 388 basis points, compared to 523 points when it last issued an AT1 in November. Raiffeisen Bank said no decision has been made yet on calling the securities.

Reddit's 50% plunge fails to entice dip buyers as growth slows

Bloomberg
New York

The gloomy sentiment around Reddit Inc has failed to dissipate after its shares fell 50% from a February high, with volatile technology stocks under pressure.

The social media platform has struggled to recover since an earnings report in February showed that it is failing to keep up with larger digital advertising peers such as Meta Platforms Inc. and Alphabet Inc's Google. Reddit's outlook seemed precarious because its traffic took a hit from a change in Google's search algorithm.

In recent weeks, the short interest in Reddit — a proxy for the volume of bets against the company — has ticked up, and forecasts for the company's share price have fallen. One analyst opened coverage of Reddit this month with a recommendation that investors sell the shares, in part due to the company's heavy reliance on Google.

"It's been super overvalued," Bob Lang, founder and chief options analyst at Explosive Options said of Reddit shares. "Their growth rate is very strong, but they still are not making any money"

To some degree, Reddit's problems are the same ones facing all the tech companies that tend to rise more than the broader market but also fall faster during moments of turmoil. The Nasdaq 100 is in correction territory, down more than 10% from a recent peak, and the biggest technology stocks are slumping as investors are finding few reasons to snap up risk assets at a discount. Even two back-to-back positive days for the Nasdaq 100 earlier this week weren't enough to meaningfully boost confidence.

"These relief rallies are not an indication that things are great. They're an indication that a lot of people don't know what's coming," Francisco Bido, senior vice president and portfolio manager at F/M Investments, said of the broader market's movements. "Unless I see this thing reverse in a really healthy investment environment, and a lot of clarity when it comes to the tariff situation and all that, then I'm not buying it yet."

At its February peak, Reddit's stock had risen over 500% from the $34 initial public offering price last March. Some of the enthusiasm was due to a series of deals in which Reddit was paid to allow its content to be used for training artificial intelligence models. More recently, though, there have been questions about the long-term growth prospects for the artificial intelligence industry.

Reddit faces additional scrutiny because of its relatively short tenure on Wall Street. As the earliest investors reach the end of their lockup periods, some will look to cash out their stakes, putting further selling pressure on the stock, which is still up 200% since the IPO.

On Wall Street, the average price target from analysts has fallen to about $195 from $207 a month ago. That still offers a roughly $85 upside from where shares currently trade following Thursday's 8% slump. Only three analysts recommend that investors sell, in comparison to the 15 with a buy rating and seven with a hold.

In a note on March 20, Guggenheim analysts led by Michael Morris lowered their price target on the stock to $170 from $210 to reflect the contraction of multiples across the digital ad peer group. Still, Morris's team reiterated their optimism.

"Our buy rating reflects our confidence that Reddit is in the early stages of executing on a robust, multi-year user and monetisation growth opportunity," Morris wrote, adding that he sees potential for user numbers to begin growing again in the first quarter of 2025, with even more opportunity ahead as the company expands in international markets.

Bets on US weakness are fuelling a rally in emerging markets

Bloomberg
New York

Some investors are betting the good times are only just beginning for emerging markets as worries over the US economy boost the allure of the long-suffering asset class.

Fuelling the shift are expectations that President Donald Trump's tariff policies will weigh on US growth and force traders to look abroad, a wager that has portfolio managers scooping up everything from Latin American currencies to Eastern European bonds.

The moves have already sparked a run in EM equities, with a gauge set for its best first quarter since 2019. A weaker dollar has helped lift an index of developing currencies nearly 2% this year, while local bonds have also climbed.

"For the past few years, investors have piled into US assets and more-developed markets," said Bob Michele, global head of fixed income at JPMorgan Asset Management. "Now, when you look at valuations, emerging markets look cheap."

Emerging-market investors have seen their share of false dawns in the past decade, as surging US stocks left competitors in the dust time and again. More recently, the highest Treasury yields in decades gave investors little reason to venture outside the US and sparked a surge in the dollar that rattled currencies across the globe.

The current rally's fate may well be tied to the trajectory of US growth. A tariff-induced cooling of the world's largest economy that pulls down Treasury yields and the dollar would be ideal — provided it doesn't snowball into a more pronounced slowdown that kills the market's appetite for risk, investors said. Many are also counting on a massive boost in European spending and further stimulus in China to take up the slack if the US sputters.

A visitor walks through the lobby of the Nasdaq MarketSite in New York. Emerging-market investors have seen their share of false dawns in the past decade, as surging US stocks left competitors in the dust time and again.

Bullish investors also point out that the assets of many countries are inexpensive on various metrics, with developing-world stocks near their lowest level relative to the S&P 500 since the late 1980s. Net asset inflows into dedicated funds are yet to turn positive in 2025, and emerging markets are underrepresented in many portfolios following years of weak performance. That could give stocks, bonds and currencies room to rise if the shift accelerates.

"The end-of-US-exceptionalism-trade has a long way to run," Ashmore Group analysts wrote earlier this month. "This asset allocation shift is likely to be a decade-long trend, considering the huge overexposure by global investors to US equities."

Edwin Gutierrez, head of EM sovereign debt at aberdeen group plc, said investors over the last decade-and-a-half have been "hoping in vain" for a scenario where US growth slows — but not sharply enough to spark a risk-off mood.

Still, he has been buying the bonds and currencies of emerging European countries, after years of keeping allocations to the region below the firm's benchmark weightings.

"Trumponomics probably presents the most genuine challenge to US exceptionalism that we've seen" in the past 15 years, Gutierrez said.

BlackRock Inc.'s strategist Axel Christensen and portfolio manager Laurent Develay said Latin America offers bright spots, as the pullback in US stocks narrows the performance gap with the rest of the globe. "Any temporary weakness due to trade uncertainty" would be an opportunity to buy local EM bonds, they added.

Funds including TCW Group and T Rowe Price have scooped up sovereign notes in Colombia and South Africa, touting their higher liquidity and market access. Franklin Templeton's new low volatility global bond fund has bought hard currency debt from Indonesia, Philippines and South Korea.

"The unwind of US exceptionalism, including a weaker dollar, is good for EM," said Carmen Altenkirch, an analyst at Aviva Investors in London. She pointed out that the extra yield investors demand to own EM hard currency debt over US Treasuries has remained relatively stable, compared to the same measure for many developed-market peers.

Most emerging currencies are up versus the dollar this year, with Brazil, Chile and Colombia among the biggest gainers. Even the Mexican peso — which is particularly vulnerable to tariff headlines — is attracting buyers. The currency is up more than 2% year-to-date, and hedge funds are the most bullish since August.

The $83bn Vanguard FTSE Emerging Markets ETF, known by its ticker VWO, rose 0.5% as in New York, extending its monthly gain.

"As value makes a comeback against growth in equities, at least on a selective basis, the same dynamic may transition into FX, particularly when there are cheap currencies that offer high real yields, such as COP, PHP and INR", says Mark Cudmore, macro strategist at Bloomberg.

Plenty of factors could derail those trades, including a US economy that proves resilient in the face of a trade war or tariffs that are less severe than feared. Some investors appear to be betting on such an outcome: Global stock funds recorded about $43.4bn in inflows in the week through March 19, the largest of the year, according to a Bank of America report citing EPFR data.

Eric Souders, portfolio manager at Payden & Rygel, isn't taking any chances. While his fund holds positions such as Vietnamese and Mongolian bonds, it has also lifted cash holdings to the highest level since 2022, just in case the US roars back.

Targeted by Trump, South Africa seeks to reset trade relations

Bloomberg
Cape Town

South Africa is working to reset US relations that have been under assault by Donald Trump since his return to the White House.

Pretoria is preparing a bilateral trade agreement as a backstop in case it loses access to a preferential accord, according to the deputy trade minister.

And it's shoring up its diplomatic presence in Washington following the expulsion of the country's ambassador this month.

As part of the multi-pronged strategy, a South African business delegation also visited New York this week for talks with some of the 600 US companies who operate in Africa's most-industrialised economy on how to prepare for the potential loss of duty-free access.

Ties between the two nations have been battered by a cascade of actions by the US president. Trump's objections include South Africa's genocide case against Israel at the International Court of Justice and claims of land seizure at the expense of White farmers. South Africa hasn't confiscated any land since the end of apartheid in 1994.

While the rand has been jolted intermittently by Trump's outbursts — most recently on March 7 — the currency has so far weathered the stormy relations, gaining 3.2% against the dollar so far this year.

"One would have expected the rand to have blown out already, given the diplomatic fallout between South Africa and US, but it has been surprisingly stable," said Reezwana Sumad, senior research analyst at Johannesburg-based lender Nedbank Ltd. "But what we've also seen is that the whole majority of the emerging market FX universe has also been stable. Sharp dollar weakness has supported emerging-market currencies. The rand is also benefiting from that."

Still, US investors play an important role in funding South Africa's current account deficit and any US investment restrictions, should relations deteriorate further, would trigger a major financial shock, Deutsche Bank said in a note last month.

South Africa must "find a new equilibrium between the tensions that will likely continue to exist over domestic policy that the Trump administration has repeatedly criticised, and the business relationships and trade ties that would be negatively affected by a complete breakdown," said political analyst Ziyanda Stuurman.

The air between Washington and Pretoria was already chilly before Trump's return to power, with the US critical of South Africa's non-aligned stance on Russia's invasion of Ukraine.

Since Trump was sworn back into office on Jan 20, he's halted US aid to South Africa and his secretaries of Treasury and State have both snubbed Group of 20 meetings, which the country is hosting this year. Among the measures being considered by Pretoria are a new trade deal to present to the US in anticipation of the country's duty-free access under the African Growth & Opportunities Act, known as AGOA, being revoked.

Thousands of South African goods enter the US duty free under AGOA and the so-called Generalized System of Preferences, America's oldest and largest trade-preference programme for the world's poorest economies.

The Department of Trade, Industry and Competition is working to secure continued preferential access, while preparing a bilateral agreement that would be used in event that it's revoked, said Deputy Trade, Industry and Competition Minister Andrew Whitfield.

"A key part of our effort is to work together with business to achieve the most favourable outcome possible," he said by text message. "There are more than 600 US companies invested in South Africa and we are confident that we can maintain strong trade and investment relations with them."

Trade ties with the US remain a strategic priority, presidency spokesman Vincent Magwenya said by text message. America is South Africa's biggest individual trade partner after China, with goods worth $14bn shipped to the US in 2023 and imports totalling $9.75bn.

"The trade proposal we are formulating is in anticipation of either the scrapping of AGOA entirely or the termination of South Africa's participation," Magwenya said. "The current diplomatic tensions have not impacted our bilateral trade."

South African foreign-ministry officials are also in the US this week for G20 meetings, and are using the occasion to meet with their US counterparts. Among other plans being considered is the deployment of a White Afrikaner as ambassador to replace Ebrahim Rasool, who was declared persona non grata by the US on March 14.

That approach may serve to counter the false narrative within the Trump administration — amplified by his South African-born billionaire ally Elon Musk — that the ethnic group is being persecuted by the government.

Musk has sought approval to expand his Starlink in the country, but has objected to its legislation that seeks to boost Black participation in the economy, accusing the government of having "openly racist ownership laws."

Asian markets sink as autos suffer more tariff-fuelled losses

AFP
Hong Kong

Auto companies once again took the brunt of the selling on another tough day for markets yesterday after President Donald Trump announced steep tariffs on vehicle imports to go with a wave of other US levies pencilled in for next week.

In Tokyo, the Nikkei 225 closed down 1.8% to 37,120.33 points; Hong Kong — Hang Seng Index ended down 0.7% to 23,426.60 points and Shanghai — Composite closed down 0.7% to 3,351.31 points yesterday.

The mood on trading floors has soured in recent weeks as the White House presses ahead with its hardball policy approach that has hit friend and foe alike and fuelled recession fears.

The president's pledge to impose 25% levies on all autos coming into the US overshadowed earlier indications that planned reciprocal measures due on Trump's "Liberation Day" on April 2.

Governments around the world have hit out at the announcement, with Canadian Prime Minister Mark Carney saying the "old relationship" of deep economic, security and military ties with Washington "is over".

But warnings of retaliation have stoked worries of a long-running global trade war and a reignition of inflation that could force central banks to rethink plans to cut interest rates.

Uncertainty over Trump's plans and long-term intentions has led to uncertainty among investors, sparking a rush out of risk assets into safe havens such as gold, which hit a new record high of $3,085.96 yesterday. Analysts said that while there is hope negotiations with Washington could see the duties tempered, investors were likely choosing to play a wait-and-see game.

Equity markets in Asia were mixed yesterday after another down day on Wall Street, with auto firms again taking the brunt. Tokyo sank 1.8% as Toyota — the world's biggest carmaker — Honda, Nissan and Mazda tumbled between 1.3 and 3.9%.

Also in the red was Nippon Steel after it said it would invest as much as $7bn to upgrade US Steel if its huge takeover goes ahead. It had initially flagged a $2.7bn investment.

Seoul was off 1.9% as Hyundai gave up 2.6%. Tariff worries also saw Hong Kong, Shanghai, Singapore, Taipei, Wellington and Mumbai fall.

Bangkok was in the red when trading was suspended as the Thai capital was shaken by a powerful earthquake in neighbouring Myanmar.

Sydney and Manila edged up.

London fell at the open even as data showed the UK economy expanded more than initially indicated last year. Paris and Frankfurt also opened lower.

Investors were keeping tabs on Beijing, where Chinese leader Xi Jinping met leading business leaders pledging the country's door would "open wider and wider".

"China is firmly committed to advancing reform and opening up," Xi told the executives, including hedge fund boss Ray Dalio and Samsung Electronics chief Lee Jae-yong.

A pedestrian crosses the road in front of the Tokyo Stock Exchange. The Nikkei 225 closed down 1.8% to 37,120.33 points yesterday.

Chinese EVs' market share across Europe drops to two-year low

Bloomberg
Beijing

Chinese automakers missed out on a European rebound in EV demand last month, as more-established manufacturers like Volkswagen AG captured the biggest part of a jump in sales.

Just 6.9% of electric vehicles registered in the region in February were made by Chinese companies, based on data from automotive researcher Dataforce. That's well below January's 7.8% and the lowest since February 2023.

Carmakers led by BYD Co and SAIC Motor Corp's MG have been working to build the region into an export stronghold, but hit a wall when the European Union imposed tariffs on Chinese-made EVs last year. The trade barrier has caused a leveling-off of Chinese market share after years of rapid growth.

While individual brands including BYD and Xpeng grew strongly in Europe last month, the Chinese industry's overall result in the region represents a step backward.

The EV market jumped 26% in February, according to data this week from the European Automobile Manufacturers' Association.

The EU duties are part of a global upswing in protectionism. US President Donald Trump this week moved to slap a 25% tariff on imported cars and key parts, threatening Canada and the EU with further measures. The US had already imposed steep tariffs on Chinese EVs.

China, for its part, hit EU brandy with an anti-dumping tax and launched probes into dairy and pork products. It has also imposed added tariffs on some US agricultural imports.

In Europe, electric-car demand has been stimulated this year by manufacturer incentives aimed at meeting regulatory EV sales targets, as well as the introduction of new models, particularly VW's ID.7, Renault SA's R5 and Kia Corp's EV3, said Julian Litzinger, an analyst with Dataforce.

Chinese carmakers, he said, have been held back by the new duties, which can reach as high as 45% including existing import fees.

Consumer backlash against Tesla Inc. represented another lost opportunity for Chinese brands. Tesla's European sales have plummeted in response to Chief Executive Officer Elon Musk's unwelcome intrusion into German politics.

That provided an opening for others to take up some sales left up for grabs, but for the most part, Chinese manufacturers failed to capitalize.

"The conventional brands have soaked up the volume from Tesla," Litzinger said. "We see a clear effect from the tariffs" on Chinese automakers.

BYD has been less affected than MG, the former British sports-car maker whose state-owned parent SAIC was hit by the EU's highest tariffs at 45.3% in total. BYD's EU tariff is 27%, including the standard 10% import levy. Non-Chinese companies including Tesla and BMW AG that import cars made in China are also subject to the added duties.

Over the past year, China's largest producer of electric cars has cemented its position atop the pack in Europe, while MG has borne the biggest part of the setback.

BYD EV registrations across Europe, the UK and EFTA countries nearly doubled to 4,436 cars in February from a year earlier, based on data from Jato Dynamics, which tracks vehicle sales.

One key reason for BYD's success has been its wide lineup covering the mainstream and premium segments, said Felipe Munoz, senior analyst at Jato.

"This explains why it has been able to increase its volumes in both the wealthier northern Europe and less-wealthy south," Munoz said.

BYD is rolling out the affordable and popular Atto 2 compact sport utility vehicle across Europe, giving the region another fresh model.

In aggregate, Chinese brands outsold Tesla in European markets including Germany and Italy in February, Munoz said. That may be partly due to the US carmaker's aging lineup.

A BYD showroom in Berlin. Chinese automakers missed out on a European rebound in EV demand last month, as more-established manufacturers like Volkswagen captured the biggest part of a jump in sales.

Canada's GDP for January expands by 0.4% as tariff impact looms

Reuters
Ottawa

Canada's Gross Domestic Product grew by 0.4% on a monthly basis in January as economic activity continued the momentum of the last few of months, data showed yesterday.

Economists said part of the growth was helped by an increase in demand for cross-border trade by companies seeking to avoid the impact of US tariffs .

Canada's economic activity has grown at a brisk pace in the last two quarters, registering an annualised growth of well over 2%, indicating that seven rounds of interest rate cuts has helped boost consumer spending and investment.

But the Bank of Canada (BoC) has warned that there was a significant gap between the robust hard data seen so far and a survey data of businesses and consumers.

With US tariffs coming on a wide range of products and retaliatory tariffs, spending and investments in Canada could dip considerably, hurting economic growth, the BoC and economists have said.

Analysts polled by Reuters had estimated January growth to be 0.3% from an upwardly revised 0.3% growth in December from an initial 0.2% growth. A flash estimate from Statscan showed that growth in February was likely to be unchanged.

The flat February growth was probably due to the offsetting impacts of growth in manufacturing, finance and insurance and contraction in real estate rental, leasing, oil and gas extraction and retail trade, Statscan said.

The Canadian dollar pared some losses after the data and was trading down 0.1% to 1.4318 against the US dollar, or 69.84 US cents. Yields on the two-year government bond fell 3.6 basis points to 2.521%.

January's economic activity was boosted by both goods and services sectors, with expansion seen in 13 out of 20 areas, the statistics agency said. Goods-producing industries grew by 1.1%, its largest growth since October 2021.

The mining, quarrying, and oil and gas extraction and manufacturing sectors were the largest contributors to growth. The oil and gas extraction subsector registered the biggest growth amongst them with 2.6% expansion in January.

The manufacturing sector was up 0.8% in January after contracting for two consecutive months. Construction activity continued to expand in January, led by residential construction, which hit its highest level since November 2023.

Retail trade was the only major dampener for January, data showed.

US President Donald Trump imposed 25% tariffs on steel and aluminium earlier this month and on Wednesday slapped 25% tariffs on auto parts and car imports. He has vowed more import duties from next month.

This is likely to wipe off almost all growth projected by the central bank, the BoC has said. It had forecast 2025 growth at 1.8%.

Currency swap markets are seeing a 62% chance of a pause in rate cuts on April 16 after the BoC slashed rates by 225 basis points to 2.75% in the space of nine months.

"Given recent developments on the tariff front this is clearly now old news, and the Bank of Canada will be carefully judging downside risks to growth against a stronger near-term profile for inflation as it makes its next policy decisions," said Andrew Grantham, senior economist at CIBC Capital Markets.

Statscan said that exports to the US accounted for 16.8% of Canada's GDP and over 2.6mn local jobs.

German unemployment rises amid economic slowdown

Reuters
Berlin

The number of people out of work in Germany rose in March at the fastest rate since October of 2024, data showed yesterday, as an economic malaise puts pressure on the job market even against a backdrop of long-term labour shortages.

The office said the number of unemployed increased by 26,000 in seasonally adjusted terms to 2.92mn. Analysts polled by Reuters had expected that figure to rise by 10,000.

The seasonally adjusted jobless rate rose to 6.3% from 6.2% the previous month, slightly higher than a forecast of analysts polled by Reuters.

"March marks the start of the so-called spring recovery on the labour market. This year, however, the economic slump is noticeably slowing it down," said Andrea Nahles, the head of the labour office.

Smarting from two consecutive years of decline in 2023 and 2024, Europe's largest economy is still battling persistent weakness and structural headwinds in industry.

The number of unemployed people in Germany has not been above 3mn over the last 10 years. Economic weakness and structural challenges were also reflected in the fact that the number of open positions was decreasing, said the director of the German Chamber of Commerce, DIHK, Achim Dercks.

There were 643,000 job openings in March, 64,000 fewer than a year ago, showing a slowdown in labour demand, the federal labour office said.

"We need a turnaround in growth and investments so that employment picks up again," Dercks said, noting that employment had fallen significantly, particularly in industry.

The dire economic situation is reflected in the country's storied auto industry, with Volkswagen and others cutting jobs on weak demand.

Adding to automakers' burdens, US President Donald Trump announced on Wednesday a 25% tariff on imported vehicles to the US

Germany was in the immediate firing line, said Gaurav Ganguly, director of economic research at Moody's Analytics.

"If the policy remains in place, the consequences for consumer confidence and employment in the auto sector and beyond are severe," Ganguly said.

The gradual weakening of the labour market looks set to continue as recruitment plans in both industry and services keep coming down, said Carsten Brzeski, global head of macro at ING.

US pauses financial contributions to WTO

Reuters
Geneva

The US has paused contributions to the World Trade Organisation (WTO), three trade sources told Reuters, as US President Donald Trump's administration ramps up efforts to cut government spending.

The Trump administration is retreating from global institutions it sees as at odds with his "America First" economic policies. It plans to quit some, such as the World Health Organisation, and has cut contributions to others as part of a broad review of federal spending.

The WTO has already been hobbled by a US move in 2019 during Trump's first term to block new judge appointments to its top appeals court, which left its key dispute settlement system only partially functional. Washington had accused the WTO Appellate Body of judicial overreach in trade disputes.

The Geneva-based trade watchdog had an annual budget of 205mn Swiss francs ($232.06mn) in 2024. The US was due to contribute about 11% of that based on a fees system that is proportionate to its share of global trade, according to public WTO documents.

A US delegate told a March 4 WTO budget meeting that its payments to the 2024 and 2025 budgets were on hold pending a review of contributions to international organisations and that it would inform the WTO of the outcome at an unspecified date, two trade sources with direct knowledge of the meeting said.

A third trade source confirmed their account and said the WTO was coming up with a "Plan B" in case of a prolonged funding pause, without elaborating.

All three sources asked for confidentiality because the budget meeting was private and the US funding pause has not been formally announced. The White House did not immediately respond to requests for comment.

A State Department spokesperson said Trump last month signed an executive order directing Secretary of State Marco Rubio to review within 180 days all international organisations the US is a member of "to determine if they are contrary to US interests." "Funding for the WTO, along with other international organisations, is currently under review," the spokesperson said.

WTO spokesperson Ismaila Dieng said that US contributions had been on the way but "got caught up in the pause of all payments to international agencies".

"Generally, arrears can impact the operational capacity of the WTO Secretariat. But the Secretariat continues to manage its resources prudently and has plans in place to enable it to operate within the financial limitations imposed by any arrears," he said, referring further questions to US authorities.

As of end-December 2024, the US had arrears of 22.7mn Swiss francs ($25.70mn), according to a WTO document obtained by Reuters. Under WTO rules, any member that fails to pay its dues after more than a year is subject to "administrative measures" — a series of punitive steps that get progressively stricter the longer the fees go unpaid.

The country is now classified as being in the first of three such categories, two of the trade sources confirmed to Reuters, which means its representatives can no longer preside over WTO bodies nor receive formal documentation.

Reuters could not immediately establish if the WTO was already applying these measures to the US. William Reinsch, a former US Commerce official now at the Center for Strategic and International Studies, said he thought the US would eventually pay its WTO bill.

US consumer spending rebounds in February

Reuters
Washington

Shoppers carry bags past the Ralph Lauren store in the Magnificent Mile shopping district in Chicago. US consumer spending rebounded less than expected in February while a measure of underlying prices increased by the most in 13 months, stoking fears the economy was facing a period of tepid growth and high inflation amid an escalation in trade tensions.

US consumer spending rebounded less than expected in February while a measure of underlying prices increased by the most in 13 months, stoking fears the economy was facing a period of tepid growth and high inflation amid an escalation in trade tensions.

Those concerns were reinforced by a survey from the University of Michigan yesterday showing consumers' 12-month inflation expectations soared to the highest level in nearly 2-1/2 years in March. Even more worrisome, consumers anticipated inflation would remain elevated in the years beyond.

Economists say President Donald Trump's protectionist trade agenda, marked by a rush of tariff action announcements since taking office in January, will boost prices of imported goods and drive inflation higher in the coming months.

Federal Reserve Chair Jerome Powell acknowledged last week that inflation had started to rise "partly in response to tariffs," adding that "there may be a delay in further progress over the course of this year." While Powell downplayed the deteriorating inflation expectations, economists said hot underlying price pressures could deter the US central bank from resuming cutting interest rates in June as anticipated by financial markets.

"Today's data is only inflaming stagflation fears," said James Knightley, chief international economist at ING. "We are moving in the wrong direction and the concern is that tariffs threaten higher prices, which mean the inflation prints are going to remain hot. This will constrain the Fed's ability to deliver further interest rate cuts." Consumer spending, which accounts for more than two-thirds of economic activity, climbed 0.4% after a downwardly revised 0.3% decline in January, the Commerce Department's Bureau of Economic Analysis said. Economists polled by Reuters had forecast consumer spending gaining 0.5% after a previously reported 0.2% fall in January.

Spending was lifted by a 1.4% surge in outlays on long-lasting manufactured goods like motor vehicles and parts, recreational goods and vehicles as well as furniture and other durable household equipment. Spending on nondurable goods such as food and beverages also rose.

But consumers are pulling back on discretionary spending. Outlays on services edged up 0.2%, with receipts at restaurants, hotels and motels dropping 15.0%. "Consumers are clearly becoming more tactical and cautious in their spending as they try to navigate this uncertain economic and inflationary environment," said Scott Anderson, chief US economist at BMO Capital Markets.

Spending at nonprofit institutions plunged 15.8% amid federal funding cuts as the Trump administration embarks on an unprecedented campaign to sharply downsize the government.

Trump this week unveiled a 25% levy on imported cars and light trucks starting next week. Economists say the size and manner in which the tariffs are being handled were detrimental to economic growth.

They have also criticised the often disorderly firings of thousands of federal workers by tech billionaire Elon Musk's Department of Government Efficiency, or DOGE. Many workers have been ordered reinstated by courts. US stocks traded lower. The dollar slipped against a basket of currencies. US Treasury yields fell.

With the United States' trade partners expected to retaliate through duties of their own, the risks of stagflation or worse, a recession, have increased.

The well-telegraphed tariffs have sharply widened the trade deficit as businesses rushed to secure imports. Trump, who sees tariffs as a tool to raise revenue to offset his promised tax cuts and to revive a long-declining US industrial base, is planning to unveil a wave of reciprocal tariffs next week.

EU plans concessions for Trump after reciprocal tariffs hit

Bloomberg
Brussels

The European Union is identifying concessions it's willing to make to Donald Trump's administration to secure the partial removal of the US tariffs that have already started hitting the bloc's exports and that are set to increase after April 2.

EU officials were told at meetings this week in Washington that there was no way to avoid new auto and so-called reciprocal tariffs that Trump is launching next week, according to people familiar with the talks. Discussions also began on what the contours of a potential deal to reduce them should eventually look like.

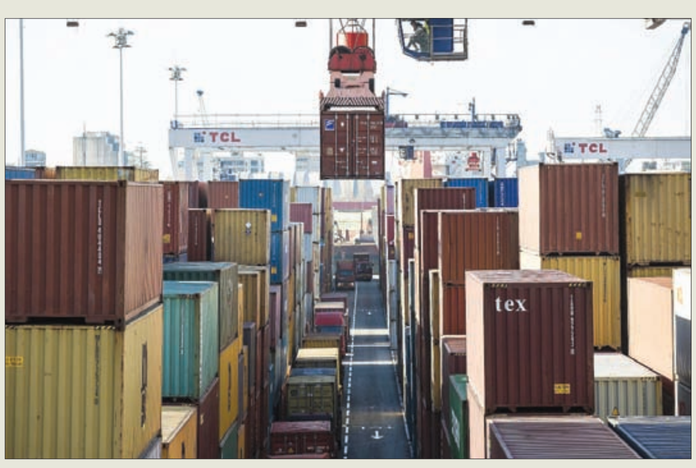
That has prompted the European Commission, which handles trade matters for the EU, to start working on a "term sheet" for a potential agreement, which would set out areas for negotiations on the punitive trade measures, including lowering its own duties, mutual investments with the US as well as easing certain regulations and standards, said the people, who spoke on the condition of anonymity.

The reciprocal tariffs are meant to strike out against what Trump considers to be unfair levies on US goods as well as non-tariff barriers, such as domestic regulations and how countries collect taxes, including the bloc's value-added tax, digital taxes and regulations.

The EU says its VAT is a fair, non-discriminatory tax that applies equally to domestic and imported goods. A spokesperson from the commission declined to comment.

The euro briefly erased losses after the report, trading little changed on the day at around $1.0794. European bonds slightly pared gains, with the yield on 10-year German notes down three basis points to 2.74%.

Any deal negotiated by his lieutenants would still have to be approved by Trump. This term sheet would form the basis for the commission to hold talks with the US after the reciprocal duties come into effect, said the people. Those tariffs will likely hit all or most of the goods from the EU being exported into the US.



Containers in Port of Leixoes. The European Union is identifying concessions it's willing to make to Donald Trump's administration to secure the partial removal of the US tariffs that have already started hitting the bloc's exports and that are set to increase after April 2.

The US hasn't indicated the tariff level it will apply on the EU but officials in the bloc expect the rate to fall between 10% and 25%, the people said. They added that any future deal would be difficult and wouldn't restore the status quo, but would leave EU-US trade relations in a worse place than they currently are.

The bloc's trade chief, Maros Sefcovic, and European Commission President Ursula von der Leyen's head of cabinet met with US Commerce Secretary Howard Lutnick, US Trade Representative Jamieson Greer and Director of the National Economic Council Kevin Hassett earlier this week to discuss the situation.

The bloc's ambassadors were briefed on the discussions this week. The talks with the US made scant headway and there's little the EU can do to keep next week's levies from being imposed, Bloomberg previously reported.

Non-tariff issues such as the VAT, digital taxes and several EU regulations and food standards featured prominently during the talks in Washington, as the Trump administration has focused its attacks on what it considers to be unfair barriers to American products that the US believes contribute to a transatlantic imbalance favouring Europe. The EU also raised the possibility of additional liquefied natural gas and defence-related purchases.

European officials have tried stressing that even though the EU has a goods trade surplus with the US, the 27-nation bloc imports a lot of American services ranging from e-commerce and social media sites to Internet search engines — all part of the US's Big Tech industry that has recently cozied up to Trump and his circle of advisers.

EU and US firms have more than €5tn ($5.4tn) worth of investment in each other's markets, according to the commission.

In addition to the reciprocal levies, the US is planning further tariffs on a number of sectors including metals, cars, pharmaceuticals, lumber and semiconductors. Trump announced a 25% levy on cars and some auto parts this week.