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## Qatar’s innovative urban development positions it as a global model, says LuLu Group executive

**By Peter Alagos**  
Business Reporter

Qatar could become a new model for urban living owing to its world-class infrastructure and focus on building smart cities, such as Msheireb Downtown Doha (MDD) and Lusail City, a top official of LuLu Group said.

Acknowledging the growing trend for cognitive cities due to artificial intelligence (AI), innovation, and rapid technological advancements, Dr Mohamed Althaf, director of LuLu Group International, said Qatar would be an “interesting” testing ground for different pilot projects.

“First of all, much of the world now knows that a lot of work has already been done in Qatar, thanks to the successful staging of the 2022 FIFA World Cup, which thrust the country into the international spotlight,” Dr Althaf told *Gulf Times*.

He continued: “We already have a smart city infrastructure, excellent broadband connectivity, and all that is already there. Much of this technology, and all the other support mechanisms, are already established.”

Althaf was referring to two of Qatar’s world-class real estate gems, MDD - the flagship project of Msheireb Properties - and Lusail City, Qatari Diar’s flagship project touted as the country’s “smart city of the future”.

According to Khalifa al-Mana, senior manager, City Control Centre and Smart Operations at Qatari Diar Real Estate Investment Company, Lusail’s 20-year development journey “represents a bold step forward in sustainable, smart urban living”.

With “\$45bn” worth of infra-



Dr Mohamed Althaf, Director of LuLu Group International.  
**PICTURE:** Thajudheen

structure investments, Lusail is “the largest real estate project in Qatar”, spanning 38mn sq m, al-Mana pointed out. The project is known for its state-of-the-art infrastructure and forward-thinking design, he said, adding that Lusail offers a mix of residential, commercial, and entertainment districts.

“By leveraging AI technologies and interactive applications, we aim to offer superior smart city experiences that make the city more efficient and sustainable,” al-Mana further explained.

MDD, on the other hand, is recognised as the world’s first fully built smart and sustainable city district, and a flagship project for sustainable urban development and technological innovation in Qatar, according to a previously published Msheireb Properties statement.

Earlier news reports also quoted Msheireb Properties CEO engineer Ali al-Kuwari as saying: “MDD demonstrates how intelligent urban planning can transform cities through smart solutions that place residents at the centre of development. Our innovative approach blends traditional architecture with cutting-edge technology to

enhance daily life while preserving our cultural heritage.”

Last month, Msheireb Properties organised the inaugural edition of ‘Downtown Tech’, which featured four specialised zones dedicated to AI, robotics, the Internet of Things (IoT), and autonomous vehicles interconnected through a central nervous system design, symbolising the fusion of human creativity and technological innovation.

According to Ahmed al-Korbi, Senior ICT Manager at Msheireb Properties, ‘Downtown Tech’ represents a commitment to making technology accessible and engaging for everyone.

“As operators of one of the world’s most advanced smart cities, with over 650,000 connected IoT devices, Msheireb Properties wanted to create an interactive platform where the community could experience the future of technology firsthand,” al-Korbi noted.

Dr Althaf emphasised that during his travels around the world, he learned that industry experts with a keen interest in machine learning and AI-related projects have lauded Qatar, particularly MDD, describing the area as “a microcosm of the world’s population.”

He said: “If someone in India told me that running a data marketing campaign to gather a dataset for training AI in the country is challenging due to its diversity in languages and states, I would understand. To collect such material, they would need to cover a wide geographic area.

“However, by focusing on just one or two buildings in Qatar, he could potentially obtain a diverse range of languages and people, providing excellent training data for large language models.”

## CI assigns first-time ratings on GWC with ‘stable’ outlook

**By Santhosh V Perumal**  
Business Reporter

Capital Intelligence (CI) has assigned to Gulf Warehousing Company (GWC) first-time long- and short-term ratings on the Qatar national scale of ‘qaA-’ and ‘qaA2’, respectively with “stable” outlook.

“We see GWC as having a very sound financial profile. The company is by far the largest logistics services provider in Qatar, and it has a dominant market share in its home market,” CI said in its latest report.

Although geographical diversification is still limited at present, the relatively new Omani operation (Flag Logistics) is performing well, with scope for further expansion in the future - although there are no firm plans for this at present, it said. At home, the focus will increasingly be on improving margins by introducing higher value-added supply chain services, CI added. The end-2024 asset base was dominated by fixed assets in the form of PP&E (73.5%), capital work in progress (2.2%) and right of use assets (4.4%). The second largest asset class was net trade receivables at just 8.8%. With little additional capital expenditure planned in Qatar, the proportion of the asset

base comprising fixed assets is expected to gradually decline going forward.

The company has a solid capital base, and one that will shortly be bolstered as a result of the planned issue of a subordinated perpetual sukuk.

Part of the proceeds of this issue is earmarked for the repayment of an existing QR300mn short-term borrowing. Other credit strengths include good cash flow and a dominant market position in the logistics sector in Qatar. This latter strength, however, means that achieving domestic volume growth could be a problem for GWC.

“GWC is, therefore, working to increase overall occupancy at its existing facilities in Qatar while at the same time seeking to grow the proportion of higher margin 3PL (third-party logistics) and 4PL (fourth-party logistics) revenues in its overall top line. This is important as freight-forwarding (FF) revenues normally carry lower margins than warehousing and supply chain management services,” it said.

The management is expecting the current year to be stronger as volumes build at the Oman operation and as 4PL volumes build in Qatar.

Although this year could also see work commence on an Eastern province logistics operation in Saudi Arabia, this would

be unlikely to contribute to revenues in 2025.

Considering effective liquidity to be satisfactory, CI said once the existing ST borrowing has been repaid, the only ST debt exposure will be the current portion of LT debt (about QR340mn at end-2024). While the remainder of the sukuk issue proceeds is aimed at funding possible expansion into Saudi Arabia, this would take the form of a joint venture with a foreign partner, it said.

“In the meantime, these funds would remain on the GWC balance sheet as cash, with projected end-2025 cash balances showing a sharp increase as a result,” it added. GWC does not hold investment securities. Instead, liquid assets are held in the form of cash. Given the nature of the business model, inventories are very low (less than 0.2% of total assets) but trade receivables are more significant at almost 9% of total assets, CI said, adding these are of high quality (given that the top five names are Qatar governmental or semi-governmental) and generally ST in tenor - although there are some concentrations by customer in both revenues and receivables.

The ratio of liquid resources to ST debt was 0.27x at the end of 2024, while the liquidity coverage ratio was 0.9x.

## Saudi Arabia’s markets regulator approves flynas IPO

**Reuters**  
Riyadh

Saudi Arabian budget airline flynas, which is backed by billionaire Prince Alwaleed bin Talal, is planning to float on Riyadh’s bourse, the kingdom’s markets regulator has said. The nearly twenty-year-old company is going ahead with plans to sell a 30% stake, according to a statement by the Saudi Capital Markets Authority, joining a raft of companies that have flocked to Gulf bourses in recent years.

The flynas prospectus will be published prior to the start of the subscription period, the statement added.

The carrier is set to debut after a years-long boom in the airline

industry following the Covid-19 pandemic, and as Saudi Arabia has made tourism key to its domestic economic agenda. The listing would be only the third by a Gulf airline after the United Arab Emirates’ Air Arabia and Kuwait’s Jazeera Airways, and the first in nearly two decades. Launched as Nas Air in 2007, flynas serves over 70 destinations with more than 60 Airbus A320 and A330 jets. The airline is targeting a fleet of 160 aircraft by 2030.

Among its shareholders are Kingdom Holding, the Saudi Arabian investment company founded by Prince Alwaleed, who was once the country’s best-known international investor, buying up holdings in companies like Citigroup, Twitter and Four Seasons.

Saudi Arabia’s PIF sovereign wealth fund bought around 17% of Kingdom Holding in 2022.

Saudi Arabia is spending billions of dollars overhauling its economy to create new industries and jobs and develop a vibrant private sector to reduce the country’s dependence on oil rents.

The kingdom, which attracts tens of millions of religious pilgrims a year to the holy sites in Makkah and Madinah, has revamped its tourism industry to attract non-religious tourists.

Tourism is a major pillar of the economic overhaul and the government is establishing a new state-owned airline, Riyadh Air, to start operations next year. Other major airlines in Saudi Arabia are Saudia and flyadeal, both state-owned.

## Catastrophe experts tap AI to tackle soaring insured losses

**Bloomberg**  
New York

Insurers are betting on a suite of new AI-driven techniques to better predict surging losses from climate-driven weather catastrophes ranging from unprecedented wildfires to hurricanes and floods.

Less than three months into the year, natural disasters are already causing major economic disruption around the world, including recent fires across Los Angeles, an economy-denting cyclone in Australia, floods in Jakarta and a giant storm that left dozens dead in the US. According to a recent report by broker Gallagher Re, annual insured catastrophe losses of \$150bn have become “the new normal”. While traditional models apply complex physics and elaborate computer simulations to estimate the probability of future losses, the results often can fall short. Flood models designed to measure the same risk have

yielded conflicting outcomes. Wildfire models can struggle to accommodate the dizzying number of variables in play - everything from the role of human intervention to the possible flight path of a wind-borne ember.

Some investors in catastrophe bonds expressly shun securities exposed to such perils because they don’t trust the modelling. Every model “is an imperfect representation of a very complex phenomena”, said Firas Saleh, director of product management at Moody’s Corp. That’s where artificial intelligence comes in. Its proponents contend it can provide a more accurate estimate of property-level risk for weather calamities.

Once an AI model is trained on what it’s supposed to look for, it becomes part of a modelling process that churns through huge volumes of data from aerial and satellite imagery to create a physical assessment of an individual property, eventually turning it into a risk report. Is the house made of brick or

wood? Are there pine needles in the gutters, making combustion more likely?

Humans would find it nearly impossible to perform such a detailed model and analysis, especially if a portfolio contains thousands or millions of homes. AI has now become invaluable to insurers seeking to price the risk, set premiums and have enough capital to pay claims from the worst catastrophe losses.

“Weather and catastrophe losses are running ahead of the ability to manage them, and many insurers are having trouble sustaining their business because they’re not getting the right rates,” said Jay Guin, chief research officer of the extreme event solutions team at Verisk, a catastrophe modelling firm. “AI changes the equation.”

Zurich Insurance Group AG, one of the largest insurers in Europe, uses AI-powered risk-modelling software to assess catastrophe risk and often tweaks it for its own purpose.

“If there’s fire hazard like vegetation, overhang or debris in your backyard that shouldn’t be

there, we can tell you to lower the risk otherwise we may not be able to underwrite you,” said Ericson Chan, chief information and digital officer of the Swiss company.

The demand for granular data has spurred risk modellers to boost investment in AI. Verisk’s wildfire model has the usual ingredients, such as wind speed, vegetation growth and the impact of climate change. But the company says it also offers clients an extra layer of data: an AI-based analysis of homes, using images taken from satellites and low-flying aircraft. Its rival, Moody’s Insurance Solutions, is pursuing a similar path. It recently acquired CAPE Analytics, which also uses AI techniques to provide “instant risk insights at the individual address level.”

Risk experts are increasingly using AI to crack an especially intractable challenge: modelling hailstorms, thunderstorms and tornadoes, collectively known as severe convective storms, or SCS. Insured losses from SCS events totalled \$61bn in 2024, the second-highest level on

record, according to Aon Plc. Texas, which receives more hail claims than any other US state, recently approved an AI-driven model for SCS developed by ZestyAI, a San Francisco-based company. SCS losses are hard to model because insurance claims aren’t always associated with a single, clear-cut event like a hurricane or a wildfire. Instead, the damage often occurs from many small, even unnoticeable hail events that gradually impair a roof or home.

“You don’t get a cavity because you ate a large Mars bar,” said Kumar Dhuvur, ZestyAI’s co-founder and chief product officer. “You get it because you ate a lot of candy over a long period of time.”

The firm’s SCS model uses a form of AI known as “machine learning,” bringing together a complex set of variables: local geography, climate effects, a 3D analysis of each building and roof and accumulated damage from historical storms. The model assembles the data into “hail scores” ranging from one to 10, which clients can use in the premium-setting process.



# China to inject \$69bn into four big banks in capital boost

**Bloomberg**  
Hong Kong

China’s finance ministry will inject \$69bn into four of the nation’s largest state banks via their share placements, following through on Beijing’s earlier pledge to beef up the lenders’ capital buffers.

Bank of Communications Co, Bank of China Ltd, Postal Savings Bank of China Ltd and China Construction Bank Corp plan to raise up to a combined 520bn yuan (\$72bn) through additional offerings of mainland-traded stocks, according to filings yesterday. The Ministry of Finance will be the top investor in all the proposed private placements, subscribing to 500bn yuan worth of shares in total.

The banks will issue the new shares at a premium between 8.8% and 21.5% above their Friday closing levels in Shanghai in order to replenish core tier-1 capital.

The announcements follow Chinese authorities’ pledge in early March to issue 500bn yuan in special sovereign bonds to replenish capital at the nation’s biggest state-owned banks. The plan to help out the lenders was first flagged as far back as September and the government later said it would tap the notes to fund the injections.

“The move is aimed at boosting the big banks’ capability to service the real economy, allowing them to maintain relatively high asset growth, better support the emerging industries and cope with the downward pressure on margins amid rate cuts,” said Wang Jian, chief financial sector analyst at Guosen Securities Co.

China is beefing up the strength



Bundles of 100 yuan (\$14.6) notes at a bank in Shanghai. Bank of Communications Co, Bank of China Ltd, Postal Savings Bank of China Ltd and China Construction Bank Corp plan to raise up to a combined 520bn yuan (\$72bn) through additional offerings of mainland-traded stocks, according to filings yesterday.

of its banking system — even though the top six lenders have capital levels that exceed requirements — after enacting a string of stimulus policies including cuts to mortgage and policy rates.

Enlisted to support the economy over the past few years, the lenders are battling record-low

margins, slowing profit growth and rising bad debt. The sector’s net interest margin — a gauge of profitability — had slipped to 1.52% at end-2024, the lowest ever.

Stronger capital buffers will allow lenders to potentially provide more loans as Beijing vowed

greater support for sectors from property to consumer and technology to achieve a growth target of about 5% this year. It’ll also serve China’s purpose to maintain financial stability and keep risks in check, while it contends with both domestic woes and tariff shocks from the US.

# Abu Dhabi’s second biggest bank said to weigh selling bad loans

**Bloomberg**  
Dubai

Abu Dhabi Commercial Bank PJSC is considering potentially offloading more bad debt, people familiar with the matter said, as Middle East lenders look to further clean up their balance sheets.

Abu Dhabi’s second-largest lender could look to sell a package of non-performing loans as soon as the end of 2025, the people said, declining to be identified as the information is private. The bank is in the early stages of studying such a deal, the people said.

ADCB first sold distressed debt in 2023, twin deals that were seen as landmarks for the region. It offloaded a \$1.1bn loan book to US hedge fund Davidson Kempner Capital Management LP, as well as \$357mn of debt to a recovery fund led by professional services firm Grant Thornton.

The bank hasn’t made final decisions on the timing or size of the latest sale, though people familiar

with the matter said it could be similar in magnitude to the Grant Thornton deal.

A spokesperson for ADCB declined to comment.

The lender recently received an upgrade from S&P Global Ratings, which said “strategic balance-sheet derisking over the past four years has strengthened its resilience to economic cycles and unexpected stresses.” Banks often sell off problem loans to free up resources and shore up their balance sheets. Such deals are gaining prominence in the Middle East.

Deutsche Bank AG acquired a portfolio of soured loans worth around \$800mn from the United Arab Emirates’s largest lender, First Abu Dhabi Bank PJSC, at the start of the year.

Further afield, several lenders in Saudi Arabia have also been considering similar deals, Bloomberg News has reported. Saudi National Bank is expected to complete a transaction by the end of the year, people familiar with matter said earlier this month.

**Dubai’s private wealth draws Cambridge Associates**

Cambridge Associates is expanding to Dubai, joining other money managers who’ve looked to tap into the city’s deep pools of private wealth, reports Bloomberg.

The firm received a licence from the Dubai Financial Services Authority last week. Cambridge, which helps institutional investors like endowments, foundations and family offices invest their capital across a multitude of asset classes, had \$616bn in assets under advisement as of the end of last year. It now has regulatory authorisation to start operating from Dubai International Financial Centre, which is already home to more than 400 wealth and asset managers. The new office will add to the 12 that Cambridge lists on its website, and will be its first in the Middle East.

An influx of high-net-worth individuals in recent years has made the region an attractive destination for firms like Cambridge. Dubai’s financial hub alone is home to family offices that control more than \$1tn.

## Bloomberg QuickTake Q&A

# Why tariff fears have copper following gold to record high

By James Attwood and Yvonne Yue Li

US prices of copper have been on a tear this year due to the fear that tariffs will be imposed on imports of the red metal. Futures prices have hit record highs on New York’s Comex, leading to a premium over the international benchmark in London — similar to the disconnect seen in the gold market.

That has created a lucrative opportunity for traders to ship the crucial industrial metal to America from cheaper overseas markets spanning Africa to Asia. Copper stocks at the Comex reached multiyear highs in late March, contrasting a tightening of supply elsewhere in the world.

The rush to get copper to the US accelerated after President Donald Trump ordered his Commerce Department in February to conduct a probe into potential tariffs on copper products. But the levies could be introduced within weeks instead of the months-long timeframe that had been widely anticipated, risking a painful end for traders if their copper cargoes arrive on US shores after any tariffs go into effect.

### How much copper has been rushing to the US?

Trump’s first musings of a 25% tax on copper imports in January unleashed record shipments of the metal to American ports before any new duties are implemented. Mercuria Energy Group Ltd estimates that as of late March, about 500,000 metric tonnes of copper was en route to the US, compared with normal monthly volumes of around 70,000 tonnes.

Traders aren’t just striking new deals to get copper to the US and clear customs before any tariffs are imposed, they’re also frontloading already planned shipments. The dash is intensifying amid the prospect of a levy being introduced much sooner than the industry previously expected.

On February 25, Trump signed an executive order commissioning a Section 232 investigation into whether reliance on foreign sources of copper poses a risk to US national security, and if measures such as tariffs or quotas are required to mitigate any threat. The probe is looking like little more than a formality, as Trump has regularly said he plans to impose the tariffs. The administration is proceeding expeditiously with the review, and a conclusion could be possible well before the 270-day deadline, an official familiar with the process told Bloomberg News.

Analysts at Goldman Sachs Group Inc had expected a 25% tariff to be rolled out between September and November. With the levy now likely to come sooner, the premium of the Comex over London Metal Exchange prices — which stood at a record 17% on March 26 — is likely to widen further, the analysts said.

### Where is the copper being express shipped to the US coming from?

Much of the refined metal being sent to the US is coming from giant mines in Latin America, namely in Peru and Chile. Codelco, Chile’s state-run copper producer and the top exporter to the US, said it’s striving to meet additional demand from its American customers. Chief Executive Officer Ruben Alvarado told reporters on March 28 that the company’s first quarter shipments to the US were 50% higher than the same period last year.

The metal is also being rerouted away from buyers in China — the world’s largest processor and consumer of copper — as, for the time being at least, the US has usurped China as the preferred sales destination for the world’s biggest producers and traders.

Goldman Sachs analysts have said that tariffs could cause China to refine less copper — to the tune of 10,000-20,000 tonnes a month within the first three months of the levies being introduced. Once any import taxes kick in, the wave of copper heading to the US is likely to slow and American consumers will work through their inventories, avoiding a glut in the US in the third quarter when the bank had expected tightness in the global copper market to be most pronounced.

### Why is Trump considering tariffs on copper imports?

The main reason appears to be a desire to revive the US copper industry and ensure security of supply for this critical material. Copper is one of the world’s most ubiquitous metals, used across a wide range of applications, including electrical cables, pipes and electric vehicles.

US government officials have argued that dumping and overcapacity in the global market have weighed on domestic copper production, leaving America reliant on foreign sources of the metal for vital industries such as weapons manufacturing.

While the US has significant mines, producing 850,000 tonnes of copper last year, its consumption of the refined metal reached 1.6mn tonnes, according to the US Geological Survey. Imports are therefore essential to fill the gap. Around 38% of deliveries come from Chile, followed by 28% from Canada and 8% from Mexico.

Trump’s February executive order said that the US “has ample copper reserves, yet our smelting and refining capacity lags significantly behind global competitors.” The country had several operational smelters in the late 1990s, but just two are active today — one in Arizona and another in Utah. That decline came as China built plant after plant to dominate the smelting industry. And today, smelters around the world are locked in fierce competition to secure the raw material for refining.

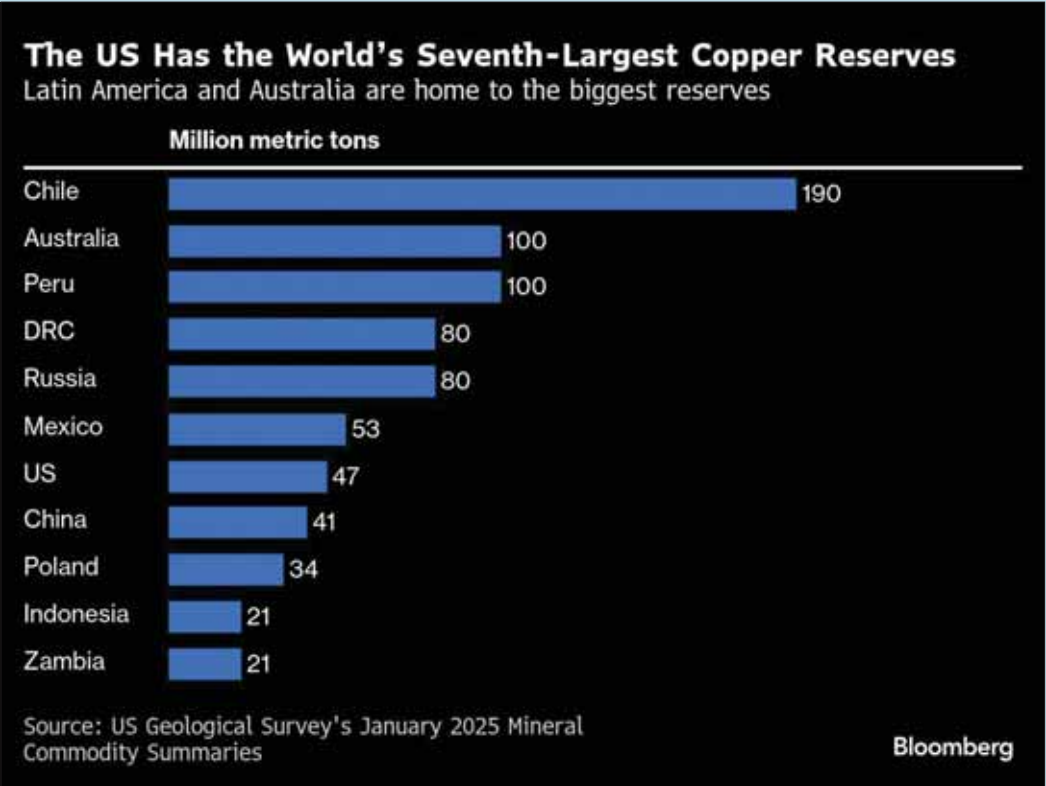
The Trump administration’s focus on copper and the potential tariffs to come are part of a broader effort to boost US production of critical minerals. Trump signed an executive order in March invoking emergency presidential powers to fast-track the development of new metals and mining projects.

### Can the US actually boost its domestic copper production?

Carrots such as the slashing of red tape and sticks like tariffs could motivate companies to commit the huge investment needed to reduce US reliance on copper imports.

At least two major copper mining projects are being held back by permitting issues — Resolution in Arizona, a joint venture between Rio Tinto Group and BHP Group, and Antofagasta Plc’s Twin Metals in Minnesota — while a smelter is sitting idle. Reviving Grupo Mexico’s Hayden smelter in Arizona could boost US output by 300mn pounds of copper cathode, a high-purity form of the metal that can be turned into wire and rod.

But building new copper production capacity can take years, or even decades, to progress from discovery to first production. In the meantime, the tariffs will leave



US manufacturers paying much more for the metal than rivals overseas.

### Is the copper price rally sustainable?

According to one of the highest-profile copper bulls, yes. Mercuria’s Kostas Bintas suggested that prices — which were approaching \$10,000 a tonne in late March — could reach \$12,000 or \$13,000 due to the US drawing huge amounts of copper and leaving the rest of the world short. Even those with a bearish view on global economic growth — and therefore copper demand — see the current supply shock for

the metal continuing to push up prices. Downward price pressure would come from any decision to drop, delay or scale back the tariffs. Trump’s trade policies also risk choking supply chains and fanning inflation, potentially worsening a global economic slowdown.

Beyond the short-term dynamics, copper’s prospects continue to be supported by the ongoing transition to cleaner energy, as well as the nascent boom in data-centre development. Retooling power and transportation systems to run on renewable energy will require far more copper than the companies that produce the wiring metal are currently committed to deliver.



# Europe's stock surge outpaces Wall Street in historic run

**Bloomberg**  
Frankfurt

This was a historic quarter for European stocks. Investors are now wondering if there will be an encore.

For years, there was little reason to look beyond the US, where soaring tech giants and relentless economic strength fuelled an era of market dominance. But doubts have grown around the US exceptionalism trade due to uncertainty from Donald Trump's tariff policies and government job cuts — and Europe is emerging as a beneficiary.

The pan-European Stoxx 600 outpaced the S&P 500 by nearly 17 percentage points this quarter in dollar terms — a record outperformance. The rally — a surprise amid expectations that Trump's "America First" agenda would have the opposite effect — has left both sceptics and bulls asking if this is the start of a lasting revival, or just a fleeting moment.

Buyers were initially attracted by the value on offer in notoriously cheap European equities after years of underperformance. Then, Germany's fiscal plans lifted the mood around the outlook for the economy and corporate earnings.

"We have been waiting for a long time for this sentiment to change," said Daniel Nicholas, a client portfolio manager at Harris Associates, whose firm has had a large exposure to the region since the euro-area debt crisis. "European companies have been mispriced."

Germany's plan to ramp up defence and infrastructure spending has changed the



Trading data on a digital board at the Euronext stock exchange in Paris. The pan-European Stoxx 600 outpaced the S&P 500 by nearly 17 percentage points this quarter in dollar terms — a record outperformance.

landscape for investors, who spent the first three months of the year unwinding underweight positions. Bank of America Corp's March fund manager survey showed they were a net 39% overweight in Europe, the most in almost four years.

Regional stock funds have seen \$21bn of inflows this year through mid-March, according to EPFR Global.

Germany has been the big winner. Its benchmark DAX Index has jumped 13%, and recent exchange-traded products data from iShares show flows are largely concentrated in the country's assets.

"The rally can go on for a bit. On a three-to-six month basis, Europe is attractive," said Jean Boivin, head of the BlackRock Investment Institute.

The shift has also turbocharged the euro, which pushed close to \$1.10 earlier in March. It had slumped toward parity as recently as February, but now investors are positioning for a much stronger currency over the medium term. Ales Koutny at Vanguard International says \$1.20 is a "very real probability" by year-end, depending on Trump's tariffs.

There's also room for bonds to reprice further as investors charge more to absorb the

surging supply from Germany. Aviva Investors and BNP Paribas SA have floated the possibility that 10-year bund yields will hit 4%, a level not seen since the global financial crisis in 2008.

There are still huge risks from Trump's actions, though so far the US appears to have taken the brunt, setting off a torrid period for its assets. In addition, the hugely popular artificial intelligence trade has wobbled. The Nasdaq 100 and S&P 500 have slumped into a technical correction as a result.

In the global rotation that ensued, Europe not only emerged as an attractive un-

dervalued alternative, but managed to mostly withstand the downward pressure from the US slump, a rare testament of intrinsic strength.

"When investors are trying to diversify away from the Trump risk, Europe is one of the main beneficiaries," said Daniel Murray, deputy chief investment officer at EFG Asset Management. "You're always looking for extremes in valuations, in positioning, in sentiment, and you're looking for a catalyst in why that may change. And I don't think we're there yet. This can run further."

While it's far from the extremes of US-like FOMO, Europe's outperformance has been so strong that the financial industry is abandoning caution, hiking targets and looking to the upside.

Nearly half of the strategists in a Bloomberg survey have raised their forecasts for the Stoxx 600 since last month, with several pointing to policy shifts improving the profit outlook.

The big sectoral winner has been defence, and companies such as Rheinmetall AG have seen significant gains. A Goldman Sachs Group Inc. basket of defence stocks has jumped 70% this year, and investors are paying a premium of 100% versus the broader market as they bet that Europe's rearmament will boost earnings.

Firms set to benefit from investments earmarked for modernisation projects and a potential rebuilding effort in Ukraine have started to gain traction. Goldman analysts have highlighted materials, electrical power equipment, utilities and industrials.

## FTX to start paying main creditors' bankruptcy claims in May

**Bloomberg**  
New York

Former cryptocurrency firm FTX will start paying its main creditors at the end of May using a cash hoard of \$11.4bn the company has collected since its shut down.

Although minor creditors, who hold what FTX classified as "convenience claims," have already started getting payments, the company will make its first payment to the main group of debt holders on May 30, bankruptcy attorney Andrew Dietderich told the judge who recently took over management of the Chapter 11 case.

The firm's main creditors include investors owed millions of dollars as well as institutions that had crypto on the FTX platform.

The 2022 collapse of what was once one of the top cryptocurrency exchanges left a vast swath of creditors of all ilk behind. Getting through all the claims quickly will preserve the most value, although the task is hindered by the enormous number of claimants to emerge from the exchange's infamous downfall. Bitcoin has climbed more than fourfold since FTX's bankruptcy, adding further insult to many former customers who sought to be paid in digital assets instead of dollars.

Paying out all creditors will take time because the company faces a very large number of "claims that we think are specious," Dietderich told US Bankruptcy Judge Karen Owens, in Wilmington, Delaware. Some of those questionable claims may conflict with "know your customer" rules that require FTX to verify the identity of all of its creditors, while others may involve demands for payment that are not legitimate, the lawyer said.

FTX faces "27 quintillion" claims, he said. A quintillion is 1bn times bigger than 1bn, and written as a 1 followed by 18 zeros. In bankruptcy, large numbers of duplicate, inflated and false claims are commonly weeded out by lawyers after a payout plan has been approved by a judge. FTX faces "billions" of flawed claims, according to Dietderich. The company needs to pay legitimate creditors as quickly as possible because the interest rate FTX is earning on the \$11.4bn is smaller than the 9% rate creditors earn while waiting for their cash, he said.

## High-conviction Wall Street bets unravel in 'Trump trade' rebuke

**Bloomberg**  
Washington

Coming into the new presidency the playbook for traders was obvious. Bet it all on a core of America First-linked champions, from Tesla Inc and crypto to smaller companies.

Turns out, amid spiralling policy shifts and worsening economic data, whittling yourself down to just a few bold calls has been one of the worst things to do in the era of Donald Trump.

That's bad news for followers of this approach — including would-be market timers and those with concentrated portfolios — after another crushing week on Wall Street.

As trade tensions flared, risk bulls were hit on Friday by reports showing that consumer confidence plunged and inflation ticked up — just before tariff "Liberation Day." The Nasdaq 100 sank 2.6%, Treasuries jumped, a gauge of credit risk rose, and gold hit yet another record. Altogether, it's a fresh gut-punch for

investors wedded to big macro bets on one-shot themes, like America First trading or the Big Tech era. Few escaped unscathed but, once again, institutional pros who've long touted the virtues of spreading out market bets fared the best.

"We've got persistently elevated inflation, geopolitical risk, and every day the recessionary risk continues to climb," said David Schassler, the head of multi-asset solutions for investment manager VanEck. "The worst thing you can do as an allocator is have any binary bets in your portfolio. Diversification's absolutely essential."

Multi-faceted portfolios are outperforming anew, including those packing in systematic-like trades, inflation-hedged assets like commodities and other physical assets, and cheap — rather than expensive — securities. It's a diverse group of market winners, but call this the real Trump trade: Dynamic hedging for the era of policy uncertainty.

Signs of softening growth and sticky inflation have turned previously reliable trades into losers. Friday data showed

inflation expectations jumping to a 32-year high, just as key gauge of price pressures picked up, with weaker-than-forecast consumer spending. Economists are dialling back estimates for how much US gross domestic product will rise while increasing inflation predictions. On Wednesday, Trump announced a 25% levy on auto imports and is promising a bevy of reciprocal tariffs on April 2.

Rather than restore calm, a parade of Fed officials warned this week about how their job is being made harder by the trade war. Boston Fed's President Susan Collins said it's "inevitable" inflation will be boosted by tariffs, at least in the near term, while St Louis Fed President Alberto Musalem said policymakers should be wary of assuming their price impact will pass quickly.

The S&P 500 fell 1.5% on the week, leaving it poised for a 5% drop in the January-to-March period, while Magnificent Seven bloc is on pace for the worst first quarter in at least a decade.

At the same time, the start of 2025 will go down as the best stretch in years for strategies that allocate across asset

classes. A proxy for that, the S&P Multi-Asset Risk Parity Index, beat the S&P 500 by more than 7 percentage points in the quarter, the most since 2018.

Traders searching for upside in volatile markets are generally succeeding to the extent they avoid concentrated positions, specifically indexes like the S&P 500 and Nasdaq 100, where a handful of giant companies dominate returns.

Active large-cap growth mutual funds with over 40% allocation to Magnificent 7 stocks have tumbled 8% on average so far this year, according to an analysis by Bloomberg Intelligence's David Cohn.

By contrast, a quant trade that tracks investment factors across asset classes, is up 3.5%, according to a Societe Generale SA gauge of alternative-risk premia.

"If this market backdrop holds with uncertainty in the spotlight, we think it's a bull market for diversifiers," said Paisley Nardini, asset allocation strategist at Simplify Asset Management. "The start of 2025 has been focused on the rotation trade, rewarding some of the unloved parts of the market."

Haven assets have also delivered, most notably gold, hitting a succession of records this year and is on its way to a 17% quarterly gain, the most since 1986. Investors have ploughed more than \$12 billion into major gold exchange-traded funds in the past two months, the most since 2020.

The VanEck Real Assets ETF (RAAX) has beaten the S&P 500 so far in 2025, in part thanks to Schassler's decision to crank up the gold allocation to the max some three years ago. He predicts bullion will hit as much as \$5,000 in the next 18 to 24 months.

Many on Wall Street have also quickly shifted to risk-off positioning. HSBC chief multi-asset strategist Max Kettner downgraded US stocks, investment-grade credit and junk bonds to underweight this week because of deteriorating US data and the flurry of tariff announcements. The bank also extended its gold overweight even further on stagflation-like risks. Yet, despite the sharp tilt against US assets, HSBC is not ready to call an end to the winning trades of the past two years.

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## Europe gas sector enters crucial period after winter sapped stocks

**Bloomberg**

London

Europe's gas sector is entering a crucial few months as the end of the heating season starts the clock ticking to fill storage facilities that are emerging from winter two-thirds empty. Normally, traders can be expected to play a key role in refilling inventories because fuel is typically cheaper in summer, allowing them to turn a profit by storing large volumes, ready to sell when demand rises again next heating season. But this year is far from normal. The first really cold winter since Europe lost most of its piped supplies from Russia has depleted reserves faster than usual, and was further exacerbated when remaining flows through Ukraine came to a halt in January. The tightened market has driven summer gas prices persistently higher than those for next winter, which - crucially - removes the financial incentive for storage trades. One key question is what role

governments will play to ensure the facilities are refilled — and at what cost. Of course, there's still plenty of time before next winter arrives. But traders say the first few weeks of April will provide an indication of whether the various market participants are ready to start reinjecting gas despite the potentially unprofitable price structure, or if they intend to play a waiting game. "Some solution needs to be found in the short term to get storage injections started even though the prices are inverted today," said Russell Hardy, chief executive officer of energy trading giant Vitol Group. There's a debate in the market over "who is going to perform this task," he added. The stakes are high: Going into winter without storage nearly full would leave the region exposed to intense prices spikes if it's hit with extra cold weather or other unexpected factors. European Commission rules stipulate that storage sites need to be 90% full by November 1. However, recent proposals and discussions about flexibility on the

timing of the targets have created huge uncertainty about how the rules will be implemented, sending prices swinging and keeping traders guessing. Benchmark futures have retreated in recent weeks amid speculation that the refilling targets may be loosened, as well as optimism for a ceasefire in Ukraine. In fact, if the war were to end soon and lead to a return of some flows from Russia, prices would likely drop, but such a prospect seems distant. For now, gas prices are roughly 50% higher than a year ago — at just over €40 a megawatt-hour — and will probably need to remain at current levels or higher to attract enough liquefied natural gas during the summer, Hardy said. If Europe is lucky, Chinese demand for fuel will remain weak in the coming months and give Europe a better shot at attracting shipments. BloombergNEF expects Chinese purchases to fall this year for the first time since 2022. But Europe will still have to pay up to keep attracting cargoes. Should prices fall closer to \$12 per million British thermal units — about a \$1 lower

than where they are now — LNG would flow to Asia, where buyers are more price sensitive, according to Hardy. High enough prices could help draw in more seaborne supplies to eliminate the seasonal spread, with prices for the first few winter months already starting to normalise a bit. An additional challenge is that Ukraine also needs to import up to five times more gas than in previous seasons this year after fighting damaged a lot of its infrastructure. Governments will face a tricky tradeoff if injections proceed too slowly. Acting too late could result in the region not building up a sufficient fuel buffer, or having to spend huge amounts of money to get supplies — as Germany did in 2022. But interventions also risk jolting the market further. Germany's gas market manager shocked traders in January when it presented a proposal to subsidise unprofitable storage deals — a move that drove summer prices dramatically higher. Two months later, it has yet to clarify how or whether it plans to proceed. Meanwhile,

Italy brought forward its gas storage auctions to as early as February. "European storage levels will reach about 87% full by November 1, according to Bloomberg Intelligence's base case scenario which assumes no return of Russian flows via Ukraine, LNG imports rising by at least 40% on year this summer, and no changes to storage targets," says Patricio Alvarez, senior analyst at Bloomberg. A warm spring — as is currently forecast — could help injections pick up, as could signals from Brussels that it will apply a more flexible approach to storage rules, which some EU member states are pushing for. "The key question is whether there will be a change in regulation and if this is the case, how much time there will be to react to such a change," said Marco Saalfrank, head of continental Europe merchant trading at Swiss utility and trader Axpo Holding AG. If a change is only communicated around mid year, "there will be just a few months to inject, which could have an impact on prices."

## US car shoppers who fear tariff price hikes are rushing to dealers

**Bloomberg**

New York

Car shoppers are descending on showrooms. Automakers are speeding up shipments of new vehicles. Dealers are huddling with their rivals to exchange ideas on how best to cope. And a Hyundai Motor Co sales executive urged retailers not let the opportunity pass by: "The focus should now be.... SELLING TO A RECORD!!!!" the memo exhorted. Whether Donald Trump's 25% tariffs on imported vehicles achieve the president's goal of revitalising domestic auto manufacturing remains to be seen, but the levies that start April 3 are almost certain to push up the prices of new models if they stay in force for more than a few months. Across the country, buyers and sellers are rushing to lock down deals and fill lots before they take effect.

Chevrolet dealer Duane Paddock says that in the past three days General Motors Co has sent him twice as much inventory — about 100 vehicles — as he normally gets in a week. The automaker is rushing shipments amid a stampede of customers that have come to his showroom looking to get ahead of the higher costs. Many of the new arrivals are Equinox, Trailblazer and Trax, imports that are among Chevy's least expensive models.

"GM has accelerated the build," said Paddock, the owner of Paddock Chevrolet in suburban Buffalo, New York. "We've got a boatload of vehicles in transit and our floor traffic has been through the roof."

US dealerships are sitting on about 60-90 days of inventory on average, providing them with a cushion against the immediate effects of the tariffs.

What happens after that supply runs out remains unclear. Analysts



Ford Bronco Sport vehicles at a Ford dealership in Los Angeles. Whether Donald Trump's 25% tariffs on imported vehicles achieve the president's goal of revitalising domestic auto manufacturing remains to be seen, but the levies that start April 3 are almost certain to push up the prices of new models if they stay in force for more than a few months.

say that automakers will most likely absorb some of the higher costs, dealers may see a hit to profitability and consumers will pay the rest. But exactly how that's all balanced out is anyone's guess at this point.

"It's going to affect used car prices and new car prices most definitely, but at what rate?" said Rhett Ricart, the chief executive officer of dealerships selling several brands in the Columbus, Ohio, area. "It's like trying to figure out a Ouija board. Everything is based on surmising."

Auto dealers have already had to do a lot of that over the past couple months, whipsawed by Trump's on-again, off-again threats of tariffs on an array of trading partners and products. That's come on top of vehicle prices that remain stubbornly high and lofty interest rates that have conspired to push the average new-car monthly payment well above \$600.

Automakers will start releasing

first-quarter sales numbers next week. Analysts say the year started slightly better than last year, pushed up by tariff-wary shoppers in March. They caution that sustained tariffs will weaken sales in the coming quarter.

Trump himself, asked on Friday whether car shoppers should rush to buy now to get ahead of the tariffs, said "No, I don't think so." He again touted an idea to make interest charges on loans for cars built in the US tax deductible, and predicted manufacturers would quickly expand production in America. Hyundai was the first to move, announcing a \$21bn US expansion March 24.

Kevin Farrish, the owner of a Chrysler, Dodge, Jeep and Ram dealership in Fairfax, Virginia, says now is the time to get ahead of the tariffs. He says that Stellantis NV boosted production of its Mexican-made heavy-duty Ram pickup

trucks towards the end of last year, so there's "ample" supply on the ground.

"The customers right now are going to get the best selection of pre-tariffed cars," Farrish said. "If you're in the market over the next three to four months for a car, April is your month."

Hyundai is encouraging its dealers to see the looming tariff price increases as a selling opportunity, according to a memo sent by a regional sales manager reviewed by Bloomberg News.

But the note acknowledged the uncertainty about exactly how things will play out. The company is "closely monitoring the possible impact," the note said.

Ricart said he was at a meeting in Dallas with 20 large dealers from across the US this week, and the consensus in the room was that the tariffs will definitely raise prices for new and used models.

## Fed backstop fears could threaten dollar, says Deutsche Bank

**Bloomberg**

Frankfurt

The withdrawal of a time-tested liquidity backstop offered by the Federal Reserve would represent the greatest risk to the dollar's status as a reserve currency since the end of World War II, according to Deutsche Bank.

European central banking and supervisory officials have held informal discussions about the possibility that the Trump administration will push the Fed to step back from global funding markets in times of market stress, Reuters reported last week, citing unnamed sources.

There has not been any indication that the Trump administration wants the Fed to scale back the so-called swap lines that the central bank has offered during past crises. But the reported conversations in Europe come as the US is stepping away from its European allies on other fronts.

Even without the Fed taking action, any fears about the reliability of the swap lines could be damaging to the dollar, George Saravelos, Deutsche Bank's head of foreign-exchange research, wrote in a note to clients.

"Were such concerns to prevail among America's Western allies, it would likely create the most significant impetus to global de-dollarisation since the creation of the post-World War global financial architecture," Saravelos wrote.

The swap lines, first launched during the 1960s, allow global institutions to borrow the greenback in exchange for their local currencies, easing demand for the dollar in times of financial stress. Revived in 2007 as the financial crisis heated up, the availability of this Fed support has long been considered an important — if infrequently-tapped — backstop during times of

market turmoil. The European Central Bank, Bank of Japan, Bank of Canada, Bank of England and Swiss National Bank currently have standing swap line arrangements with the Fed. At the height of the market dislocations wrought by the pandemic in early 2020, the lines were also extended to other central banks including the Bank of Korea, the Banco Central de Brasil, and the Banco de Mexico.

Saravelos noted that the Fed has sole responsibility for its programs. But, he said, the Trump administration can have an indirect influence on the central bank — either via "moral suasion" or through the figures appointed by Trump to its governing board.

Should the Fed choose to withhold liquidity support in times of immediate stress — or attempt to leverage the facility as a quid pro quo for other US policy goals — it would have far-reaching consequences, Saravelos added. The US currency would sharply appreciate as global institutions scramble for dollar funding, driving higher demand. It could also lead to "fire sales" of US assets that are often hedged in the foreign-exchange swap market.

Most importantly, doubts about the Fed's preeminent role as the world's lender of last resort would "accelerate efforts by other countries to reduce their dependence on the US financial system," Saravelos wrote.

China and Russia, two major economies that do not have swap lines with the Fed, have accumulated non-US foreign reserves and de-dollarised their economies in recent decades, he noted.

The Fed offers other facilities designed to ease liquidity issues in global markets. In March 2020, it established a repurchase agreement operation with a broader range of foreign institutions that became permanent in July 2021.

## ECB official Nagel cautions against excessive optimism on inflation

**Bloomberg**

Frankfurt

European Central Bank (ECB) officials shouldn't become too confident on reaching their inflation goal even if new data on that front are pointing in the right direction. Governing Council member Joachim Nagel said.

While a return to the 2% target this year looks possible, policymakers must remain prudent, especially in an environment of elevated uncertainty, the Bundesbank president told a panel discussion in Frankfurt. He spoke hours after reports showed price growth in France and Spain undershot expectations in March, raising hopes of another slowdown for the broader eurozone when Eurostat publishes a first estimate on Tuesday.

"The latest figures I've seen regarding inflation in individual countries are encouraging," Nagel said on Friday. But "often, when the goal is within reach, you tend to become overly optimistic. And I would almost like to warn against that."

The comments come amid an intensifying debate about the path for borrowing costs following six quarter-points reductions since June. While some policymakers favour

another move in April as inflation nears 2% and the economy struggles, others urge caution — pointing to risks to prices from trade tensions and a ramp-up in European defence spending.

Traders have added slightly to ECB rate-cut bets for this year, pricing 60 basis points in total. That's equivalent to two quarter-point reductions and a 40% chance of a third. Nagel signalled that he maintains an open mind on the outcome of the upcoming policy decision on April 17.

"When the next meeting is on the agenda, we will look at the data and how we can reach a result," he said. "I am not one of those people who want to enter into a particular expectation right now."

Confrontational US trade policy under President Donald Trump presents a major challenge for the ECB. Speaking in Tallinn, Estonian central-bank governor Madis Muller highlighted that the fallout from new trade levies could be complex, and that in the current situation, "all kinds of unexpected things tend to happen."

"If Trump applies 25% tariffs on all European goods, which is perhaps going to happen soon, then there's a question what it means for potential European countermeasures," he said.

