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Tariff woes depress US manufacturing and erode labour demand

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GULF TIMES
BUSINESS

EV LEAD : Page 3

BYD enjoys yet another blockbuster quarter as Tesla flounders

Qatar's Q1 maritime performance reflects strength of non-hydrocarbons

By Santhosh V Perumal
Business Reporter

Reflecting buoyancy, notably in the non-hydrocarbons, Qatar's maritime sector saw higher vessels call, resulting in brisk yearly growth in the movement of RORO (vehicles), livestock and building materials through Mesaieed, Doha and Al Ruwais ports during the first quarter (Q1) of 2025, according to the official data.

A total of 726 ships arrived in the three ports during January-March 2025, a 12.21% growth on annualised basis. In March alone, as many as 247 vessel calls were recorded, jumping 6.47% and 8.81% year-on-year and month-on-month respectively, according to figures collated from Mwani Qatar.

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Hamad Port - Qatar's main seaport, located south of Doha in the Umm Al Houl area and whose strategic geographical location offers opportunities to create cargo movement towards the upper Gulf - saw as many as 120 vessels call (excluding military) on the port in March 2025.

The three ports handled a total of 30,811 RORO during the first three months of this year, registering a 60.47% surge year-on-year. In March alone, as many as 10,371 RORO movements were recorded, showing 73.69% and 36.48% growth on yearly and monthly basis respectively. Hamad Port alone handled as many as 10,298 units in March this year.

Qatar's automobile sector has been witnessing renewed demand, reporting stronger sales, notably in heavy equipment, private motorcycles and private vehicles, according to National Planning Council data .

The building materials traffic through the three ports stood at 159,718 tonnes during Q1-2025, which was up 11.78% on an annualised basis. In March alone, the three ports had handled as much as 88,131 tonnes, surging 68.7% and 118.1% year-on-year and month-on-month respectively.

The three ports were seen handling 230,625 livestock heads during January-March 2025, which showed a 4.3% growth on an annualised basis. In March this year, the ports handled as many as 97,625 livestock heads, which declined 17.66% on yearly basis but zoomed 31.57% month-on-month. Hamad Port handled as many as 8,000 livestock heads in the review period.

The container movement through three ports amounted to 336,889 twenty-foot equivalent units (TEUs) during the first three months of 2025, down 4.17% on a yearly basis. In March alone, as many as 99,410 TEUs of containers were seen handling, which declined 27.36% and 12.17% year-on-year and month-on-month respectively.

Hamad Port, the largest eco-friendly project in the region and internationally recognised as one of the largest green ports in the world, had welcomed 133,000 TEU CMA CGM Iron, the first dual-fuel methanol container vessel to visit Qatar.

The container terminals have been designed to address the increasing trade volume, enhancing ease of doing business as well as supporting the achievement of economic diversification, which is one of the most important goals of the Qatar National Vision 2030.

The general and bulk cargo handled through the three ports stood at 322,206 freight tonnes during Q1-2025, which fell 12.29% on yearly basis. In March alone, the general and bulk cargo handled through three ports was 70,392 freight tonnes, plunging 49.39% and 35.65% year-on-year and month-on-month respectively.

Hamad Port – whose multi-use terminal is designed to serve the supply chains for the RORO, grains and livestock – handled as much as 30,116 freight tonnes of breakbulk and 7,000 freight tonnes of bulk in March this year.

The container and cargo trends through the ports reflect the positive outlook for the country's non-oil private sector.

In line with the objectives of Qatar National Vision 2030, Mwani Qatar continues to implement its ambitious strategy to enhance the maritime sector's contribution to diversifying the national economy and strengthening the county's position as a vibrant regional trade hub.

Officials, global experts to attend 11th Doha Islamic Finance Conference

The 11th Doha Islamic Finance Conference, set to take place in Doha on April 8 has attracted wide participation of Islamic finance experts, representatives from government entities, international organisations, financial and academic institutions specialising in economics, finance, and technology.

The event will showcase the latest developments and innovative insights, with a strong focus on future trends at the local, regional, and global levels.

It aims to advance Islamic finance by fostering global dialogue among experts, researchers, and decision-makers, while exploring how advanced technologies can unlock new opportunities to enhance the sector's resilience and sustainability.

Under the patronage of HE the Prime Minister and Minister of Foreign Affairs Sheikh Mohammed bin Abdulrahman bin Jassim al-Thani, the 11th Doha Islamic Finance Conference will be held under the theme 'Integration of Blockchain and AI: The Future of Islamic Finance'.

Organised by Bait Al-Mashura Finance Consultations, the conference is supported by the official sponsorship of the Ministry of Commerce and Industry (MoCI), strategic partnership of Dukhan Bank, diamond sponsorship of General Directorate of Endowments and Islamic Affairs, and the bronze sponsorship of the Qatar Financial Centre (QFC).

The inaugural session will feature a keynote address by Prof Dr Koutoub Moustapha Sano, Secretary-General, International Islamic Fiqh Academy, alongside esteemed speakers, including Sheikh Muhammed bin Hamad bin Jassim al-Thani, Executive Board Member and Managing Director of Dukhan Bank, Strategic Partner; Sheikh Dr Khalid bin Muhammed bin Ghanem al-Thani, Undersecretary of the Ministry of Endowments and Islamic Affairs; and Prof Dr Khalid bin Ibrahim al-Sulaiti, Chairman of the Higher Organising Committee of Doha Islamic Finance Conference.



From left: Sheikh Muhammed bin Hamad bin Jassim al-Thani, Executive Board Member and Managing Director of Dukhan Bank; Sheikh Dr Khalid bin Muhammed bin Ghanem al-Thani, Undersecretary of the Ministry of Endowments and Islamic Affairs, and Prof Dr Khalid bin Ibrahim al-Sulaiti, Chairman of the Higher Organising Committee of Doha Islamic Finance Conference.

Every 1mn tonnes of GCC-produced recycled plastic generate 1,500 jobs, $650mn in direct GDP: GPCA

By Pratap John
Business Editor

Every 1mn tonnes of recycled plastic produced in the GCC can generate approximately 1,500 jobs and $650mn in direct GDP impact in the region, according to research estimates.

Innovation is a driving force behind value creation in the GCC plastic industry, contributing to sustainability, economic growth, and technological advancements, the Gulf Petrochemicals and Chemicals Association (GPCA) said in a report.

Accelerating innovation plays a crucial role across product design, business models, and resource management, and can support efforts to achieve circular economy in the GCC.

Continuous innovation in polymer production and conversion technologies has enabled the GCC region to maintain a competitive edge in the global market. This includes advancements in recycling technologies and the development of new, sustainable materials.

GPCA will explore the role of innovation in driving value creation and growth at the 14th GPCA Plastics Conference taking place in Riyadh, Saudi Arabia on April 20 and 21.

According to a study, advancements in chemical recycling technologies can reduce greenhouse gas emissions by up to 50% compared to traditional plastic production methods.

The 14th GPCA Plastics Conference will provide an ideal platform to spotlight innovations in plastics recycling and discuss the role of regulations in creating an enabling environment for growth.

Held under the theme: "The next growth paradigm: value creation through innovation", the conference will open with a welcome address by Khalfan al-Muhairi, SVP Regional MEAE, Borouge and Vice-Chairman, Plastics Committee, GPCA, followed by a ministerial address outlining regional policy priorities.

Dr Abdulwahab al-Sadoun, Secretary-General, GPCA, commented: "In the pursuit of the next paradigm of plastics growth, fostering innovation and collaboration will be essential to address the sustainability challenges of our time, while meeting the demand for sustainable plastics and ensuring socio-economic growth.

"By fostering cutting-edge advancements and sustainable practices, we can enhance the plastics industry's position as a dynamic driver of economic growth and environmental stewardship. The 14th GPCA Plastics Conference will serve as a beacon for visionary leaders and innovators from across the region and the world to collaborate and redefine the future of plastics for generations to come."

QICCA aligns new arbitration rules with global standards

By Peter Alagos
Business Reporter

The Qatar International Centre for Conciliation and Arbitration (QICCA) ensures that its new arbitration rules are aligned with the latest international industry trends that have been in effect since the beginning of 2025, an official has said.

Sheikh Khalifa bin Jassim al-Thani, chairman of both QICCA and Qatar Chamber, said the implementation of the centre's new arbitration rules was announced as early as November last year during the '5th World Conference on International Arbitration' held in Doha under the theme 'Arbitration in the Mena Region - Present and Future.'

"At QICCA, a part of Qatar Chamber, our strategic vision aligns with Qatar National Vision 2030, which aims to enhance a sustainable investment environment and position Qatar as a global knowledge-based economic hub. "Based on this vision, we remain committed to providing exceptional services and earning the trust of those engaged in commercial arbitration by attracting highly skilled and experienced professionals," Sheikh Khalifa said in a recent edition of *Al Moltaqa*, the chamber's economic magazine.

Sheikh Khalifa further said: "We are also committed to forging strategic partnerships with leading international arbitration centres and institutions. This commitment stems from our firm belief in arbitration as an effective means of dispute resolution, offering several key advantages. These include the ability for disputing parties to select the language, applicable law, and venue for arbitration."

These statements reflect Qatar Chamber's 2025-2030 strategy, which its board of directors recently approved in March. According to Sheikh Khalifa, the strategy focuses on resource sustainability and service development to keep pace with digital transformation and economic changes. It also paves the way for QICCA to implement a new strategy for the centre.

He also said the strategy aims to position Qatar as a global strategic hub for the private sector, making it the top choice for doing business, while its mission is to promote and support the Qatari private sector locally and globally, representing and defending its interests.

With new arbitration rules in effect and strengthened by last month's approval of Qatar Chamber's 2025-2030 strategy, Sheikh Khalifa emphasised that this reflects the country's commitment to fostering a favourable climate for arbitration and the development of a pro-investment environment.

"Arbitration also guarantees privacy, efficiency, speed, effectiveness, and flexibility, with binding and enforceable judgments that are not subject to appeal except in specific circumstances. These attributes make arbitration the preferred option for resolving disputes," he pointed out.

Citing the rapid increase in the volume and diversity of global economic activities, Sheikh Khalifa noted that commercial arbitration has emerged as one of the most important mechanisms for resolving disputes.

"With the rise of disputes both locally and internationally, finding quick and effective solutions between the disputing parties has become essential, positioning arbitration as a key alternative to litigation in courts," he stressed, underscoring that QICCA remains committed to adopting principles and procedures used by leading international arbitration institutions and centres.

Sheikh Khalifa added: "We also adopted the latest internationally recognised legal frameworks, foremost among them is the Model Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL), as revised in 2010."

Sheikh Khalifa bin Jassim al-Thani, chairman of both Qatar International Centre for Conciliation and Arbitration and the Qatar Chamber.

BUSINESS

Tariff countdown spurs risk-asset exodus in favour of safe havens

Bloomberg
New York

Trepidation swept through global markets ahead of US President Donald Trump's expected trade tariff announcements, pushing investors already on edge over an economic slowdown to de-risk their portfolios and head to safe havens.

Treasuries surged along with European bonds, gold rose to a record and the yen — a traditional refuge from turmoil — hit its strongest in 10 days. Meanwhile, stocks tumbled around the world, along with the currencies of countries most likely to suffer from the incoming levies. South Korea's won and the Taiwan dollar were among the biggest losers in emerging markets.

The market's focus is rapidly shifting to an outlook where recession is suddenly a possibility again, fuelling a retrenchment from risk and appetite for the safest assets ahead of Trump's so-called "Liberation Day", when he plans to announce a series of reciprocal tariffs against trading partners. That's helped propel a 2.6% gain for US government debt this quarter, with Treasuries outperforming US equities for the first time in five years. Meanwhile, the S&P 500 is enduring its worst three-month period compared to the rest of the world since the 1980s.

"Risk-off impulses are dominating at the start of a key week as tariff threats intensify," said Win Thin, a strategist at Brown Brothers Harriman.

While the precise size and shape of Trump's trade policies remain unclear, the President raised the stakes this weekend with remarks he plans to start his reciprocal tariff push with "all countries". That undermined hopes that he could limit the initial scope of levies.

In the government bond market, shorter-maturity US securities — among the most sensitive to monetary policy — led gains as traders priced in deeper interest-rate cuts from the Federal Reserve this year to support growth. The two-year yield fell as much as eight basis points to 3.83%, nearing a six-month low. The 10-year yield was five basis points lower at 4.20% on Monday, some 60 basis points below a January peak.

European bonds also rose, pushing Germany's two-year yield to its lowest since December. Goldman Sachs Group Inc economists now forecast both the Federal Reserve and European Central Bank will cut interest rates three times this year. Money markets are pricing at least three further cuts in the US and two reductions in Europe, with a roughly 50% chance of a third.

"Unless the US administration clarifies the pathway forward and purpose of its tariff agenda such that investors face less uncertainty about the possible response, subsequent action, and specific goals, we expect investors to lose increasing amounts of confidence in the global economic outlook," Morgan Stanley strategists including Matthew Hornbach wrote in a note. "The future for macro markets comes down to confidence among investors and business leaders. We think that both groups continue to lose confidence, even after April 2 passes."

A gauge of emerging-market stocks fell 1.6%, the most in a month, on Monday. Taiwan equities were hit especially hard, with the Taiex closing down 4.2% and falling into a correction. The Taiwan dollar fell 0.2%, while South Korea's won lost 0.3%. Both countries are among 15 economies that Bloomberg economists say could be targeted most by Trump.

The latest US monthly jobs report is also looming on Friday. Initial estimates from analysts surveyed by Bloomberg point to an increase of 135,000, down from 151,000 in February.

Fed Chair Jerome Powell recently said that the Fed will wait for greater clarity on the economy from the administration's policy changes, and that any tariff-induced inflation is likely to be transitory.

"Yields could fall below 4% quite easily even this week," Jamie Niven, senior portfolio manager at Candriam, told Bloomberg TV, referring to the 10-year note. "If we see a downside print on the payrolls number, then that gives the Treasury market more room to rally because the Fed is currently willing to look through inflation."

Apollo-backed $2.25bn debt deal hurt by tariff noise

Bloomberg
New York

A group of banks including Citigroup Inc and JPMorgan Chase & Co may be forced to self-fund a debt package to finance Canadian auto parts maker ABC Technologies Holdings Inc's purchase of TI Fluid Systems Plc as the lenders near an April 15 deadline to close the acquisition.

A $900mn leveraged loan has not yet attracted enough demand from investors and a $1.325bn junk bond sale hasn't launched, amid concern that tariffs imposed by the Trump administration will affect the company's business, according to people with knowledge of the transaction.

A call scheduled for Monday was cancelled as banks chose to wait until after US President Donald Trump's so-called "Liberation Day" today, when the White House has said it will impose new tariffs, said some of the people, all of whom asked not to be identified discussing a private transaction.

The lenders have been sounding out the market on the financing for ABC Technologies, which is backed by Apollo Global Management Inc. Banks started pre-marketing earlier in March to a select group of investors to gauge initial appetite for a deal, Bloomberg has reported.

Representatives for ABC Technologies, TI Fluid, Apollo, Citigroup and JPMorgan declined to comment.

Trump has already outlined plans for a 25% tariff on automobiles to come into effect on April 3. That tariff will extend to major automobile parts like engines and transmission systems by May 3. TI Fluid Systems makes thermal and fluid systems solutions for vehicles.

Tariffs announced on April 2 will be country-specific, White House Press Secretary Karoline Leavitt said on Monday. However, this may impact industries already hit with duties.

ABC Technologies is not the only company finding its leveraged debt offering in the crosshairs of Trump's tariff policies, which have sown unease throughout financial markets. Recently, credit investors have sat on the sidelines on deals for companies vulnerable to greater import levies and weakened consumer spending.

Chuck E. Cheese owner CEC Entertainment, for example, is struggling to drum up enough demand for a $660mn bond to refinance debt due next year, Bloomberg News recently reported.

Citigroup is leading ABC Technologies' leveraged loan sale, while JPMorgan is running the proposed bond, said the people. The loan is being discussed at a price of 5.5 percentage points over the Secured Overnight Financing Rate, and a relatively steep discounted price of between 95 to 96 cents on the dollar, said one of the people. Commitments on the loan are due on Thursday.

That discount comes as the US leveraged loan market is showing signs of stress from tariff-related uncertainty.

The Bloomberg US Leveraged Loan Index slumped the most since September 2022 last month. The Morningstar LSTA US Leveraged Loan Index fell to 96.3 cents on the dollar on Monday, its lowest level since August 14, according to Bloomberg-compiled data.

In November, ABC Technologies agreed to buy TI Fluid Systems, whose largest shareholder is private equity firm Bain Capital, for approximately £1.83bn ($2.37bn), according to a statement at the time. Lenders have limited time to move the debt off their balance sheets. Typically, banks sell debt they've committed for an acquisition before it closes, otherwise the debt is stuck, or "hung," on their books.

Nasdaq 100's worst quarter in years sealed by AI bubble fears

Bloomberg
Washington

In a quarter marred by tariff uncertainty, US government spending cuts and the threat of recession, it is fears about a bubble brewing in artificial intelligence (AI) that have dealt the latest blow to the Nasdaq 100.

The tech-heavy benchmark posted its worst quarter in nearly three years, down 8.3%, after a pair of warnings last week fanned anxieties about a possible pullback in the hundreds of billions of dollars flowing into data centre infrastructure. The renewed selling stamped out a nascent rebound and left investors ducking for cover, yet again.

The damage is piling up among the stocks that had, until recently, been the market's biggest drivers. Chipmaker Nvidia Corp has seen its shares tumble 28% from a January peak. Broadcom Inc is down 33% from a record in December. Microsoft Corp, Amazon.com Inc and Alphabet Inc and Meta Platforms Inc have all fallen 20% or more from their own records.

The Nasdaq MarketSite in New York. The Nasdaq 100 posted its worst quarter in nearly three years, down 8.3%, after a pair of warnings last week fanned anxieties about a possible pullback in the hundreds of billions of dollars flowing into data centre infrastructure.

The Nasdaq 100 closed almost unchanged on Monday after falling as much as 2.5% earlier in the day amid worries that President Donald Trump's anticipated tariff rollout on Wednesday will deal a blow to the economy.

"The questions about AI are coming at a time when there's increased uncertainty overall, and at a time when they were priced for perfection, or close to it," said Michael Mullaney, director of global market research at Boston Partners. "That makes them an extremely obvious place for investors who are broadly nervous to take profits."

Tech behemoths led US stocks higher for most of the past two and a half years on excitement about AI and the future profits it would bring. The companies building AI models are making huge investments in the chips and data centres needed to train and operate their models.

At its peak in February, the Nasdaq 100 had more than doubled from a December 2022 low. While the average valuation in the index has fallen to 24 times estimated profits from 27 times last month, prices still remain elevated relative to the average over the past two decades, which sits around 20 times, according to data compiled by Bloomberg.

The latest round of hand-wringing on AI was set off last week when Alibaba's co-founder said the rush to erect new facilities is getting ahead of demand for AI services. That was followed a day later by an analyst report about Microsoft — which alone has earmarked $80 billion for data centre spending this year — walking away from new projects in the US and Europe due to oversupply.

The warnings came not long after the emergence of advanced AI models out of China that were trained with fewer computing resources. Those models have challenged assumptions about the resources the US tech giants will need to assure their dominance. Doubts linger even though the four biggest spenders — Microsoft, Alphabet, Amazon and Meta — remain committed to capital expense plans that are expected to exceed $300bn in their current fiscal years.

Even a small pullback in that spending would have big implications for companies like Nvidia that have benefited from the flood of money flowing into everything from chips and servers to energy and networking gear. Meanwhile, there are growing questions about how soon AI tools will start to get broader uptake in corporate America.

"If the return on investment was more apparent, there'd be less worry about whether the hyperscalers will continue to invest the way they have been," said Barry Knapp, managing partner at Ironsides Macroeconomics.

The selloff has left many AI related stocks looking attractive to bulls, who expect the spending to continue as demand for the underlying services remains strong. OpenAI is reportedly expecting its revenues to triple this year and it is in talks to raise as much as $40bn from Softbank Group Corp and other investors.

The pricing of Nvidia at 23 times profits expected over the next 12 months is looking "defensive," according to Melius Research analyst Ben Reitzes.

However, the prevailing sentiment on Wall Street right now is clearly one of gloom.

That was palpable in the initial public offering market where cloud-computing provider CoreWeave Inc's highly anticipated debut last week turned out to be a dud. The Nvidia-backed company, which provides AI computing services, has seen its shares fall about 7% since the offering priced well below its initial target.

To Kim Forrest, chief investment officer at Bokeh Capital Partners, the whole picture shows how nervous investors have become about a slowdown in AI spending.

"It would have been a feeding frenzy in June of last year," Forrest said of the CoreWeave debut. "All of this adds up to too many dollars chasing too little computing centre demand."

Commerce Secretary Howard Lutnick has signalled he could withhold promised Chips Act grants as he pushes companies in line for federal semiconductor subsidies to substantially expand their US projects, according to eight people familiar with the matter.

Xiaomi Corp confirmed that one of its SU7 electric vehicles was involved in an accident on an expressway in China. Local media reported that three people died in the incident that's likely to spark scrutiny over the smart driving software deployed in many of today's cars.

SoftBank Group Corp is seeking a loan of as much as $16.5bn to help fund artificial intelligence investments in the US, according to people familiar with the matter, in what would be the tech investor's largest-ever facility denominated solely in dollars.

US recession fear raises 'gray swan' risk for bond investors

Bloomberg
New York

Investors are fretting that a year-long rally in global credit is papering over the risk that US policy uncertainty tips the world's largest economy into a recession.

Some are sounding the alarm that this could be a 'gray swan' event — a shock that is predictable in theory, but largely ignored until it hits. Unlike black swans, which are truly unforeseen, gray swans lurk in plain sight.

In contrast to the selloff in other asset classes, very little bad news has been priced into credit markets so far, with banks on Monday pulling off a whopping €7.45bn ($8.1bn) debt deal. That may look complacent as US President Donald Trump prepares to impose a barrage of trade tariffs this week.

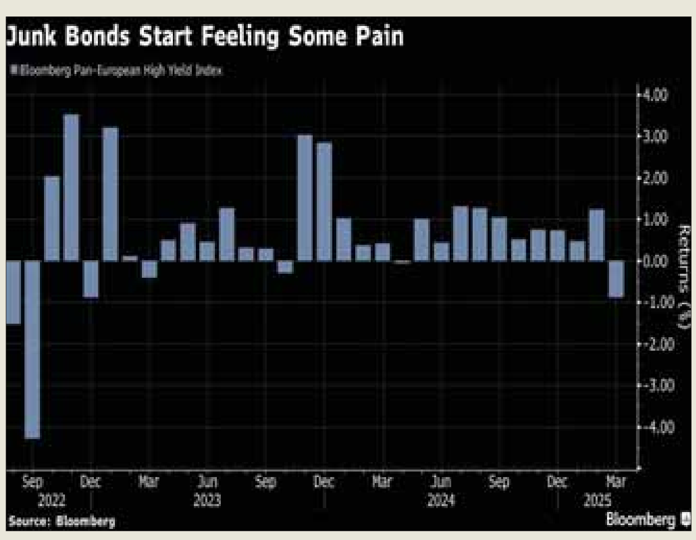
"Credit markets in the US are pricing in a much lower chance of a recession than equity markets are and something has to give," said Chris Ellis, a London-based high-yield portfolio manager at Axa Investment Managers. "I've heard it described as a 'gray swan' risk in the market, which seems apt to me. We don't know exactly what could trigger a selloff, but we have to tread carefully."

A model by JPMorgan Chase & Co strategists showed in mid-March that the S&P 500 was pricing a 33% probability of a US recession, up from 17% at the end of November, while credit was only pricing in 9% to 12% odds.

While the bank's strategists thought the US stock market might be overpricing the risk, the S&P 500 just suffered its worst quarter since 2022. Meanwhile, the pain seen so far in junk bond markets, supposedly the riskiest corner of the debt world, has been limited.

With Trump planning a "Liberation Day" on April 2 to impose tariffs on major trading partners and the European Union prepared to retaliate, the risks should be widely known by now. The new trade restrictions placed on the auto industry last week offered an example of how credit could be vulnerable to this kind of gray swan risk.

The 25% tariffs on all non-US auto companies forced one auto supplier to sweeten pricing to



avoid having to cancel a live debt deal, while a number of other firms in both Europe and the US saw their bond prices drop and spreads widen. Now a $2.25bn buyout debt package is being threatened by this week's tariff risks.

And yesterday, Pacific Investment Management Co, one the world's biggest bond investors, warned that President Donald Trump's aggressive trade, cost-cutting and immigration policies threaten to slow the US economy by more than previously expected.

Overall, technical factors have been masking the impact. A lack of dealmaking has meant less debt supply, while the attractive coupons on offer in a higher-rate environment have been pulling in fund flows. Some investors have also been switching from leveraged loans to high-yield bonds.

"The technical has been so strong in credit that passive investors like ETFs or maturity funds are buying bonds blindly," said Candriam's global head of fixed income Nicolas Jullien.

In recent weeks, high-yield bonds have started selling off along with global stock markets. March was the worst month for high-yield bond returns since September 2022 in Europe and October 2023 in the US.

And yet, on a historic basis, spreads are still in very good shape. Typically, a junk bond spread of 800 basis points is seen as presaging a recession. Even after the recent selloff, they are less than half of that on both sides of the Atlantic. Monday saw banks wrap up a sale of leveraged loans and high-yield bonds to finance Clayton Dubilier & Rice's purchase of a stake in a Sanofi SA unit.

"We have built in a slightly more defensive portfolio posture as we feel that credit spreads, particularly in the US, leave investors exposed to any potential bad news," said Sriram Reddy, head of client portfolio management at alternative investment manager Man Group Plc. "There isn't a specific trigger we are watching for — it could be a multitude of different factors that could push spreads wider, but the underlying currents are to slowing growth."

Other market indicators show that worry is building, none more so than the amount of money being held in cash — over $7tn in the US alone. Gold, meanwhile, climbed through the roof to a new all-time peak above $3,130 per ounce on Tuesday. And indexes of junk-rated credit default swaps in Europe and the US, typically used to hedge against credit risk, are now up to their highest levels since August.

Gray swan risks picked out for 2025 by Nomura Holdings Inc included a crash in Nvidia Corp shares, 10-year US Treasury yields above 6% and a US growth shock.

Candriam's Jullien reckons spreads still do not reflect the credit risk embedded in the high-yield market in general. As for the auto sector, he thinks credit ratings will need to be adjusted, including multi-notch downgrades in some cases.

BYD enjoys another blockbuster quarter as Tesla flounders

Bloomberg
Hong Kong

China's BYD Co enjoyed a strong start to 2025, with sales up 58% in the first quarter versus the same period of last year.

The nation's best-selling auto brand delivered 371,419 passenger vehicles in March, bringing the total for the first three months of the year to 986,098 units, data released yesterday show. Of those, 416,388 were pure electric vehicles.

BYD stopped making combustion engine cars in 2022 and now only produces EVs and hybrids.

The numbers will likely be in stark contrast to US rival Tesla Inc, which only makes EVs and whose first-quarter sales may be as low as 340,000, according to some analyst estimates, or possibly around the 377,000 mark.

Tesla Chief Executive Officer Elon Musk's involvement in politics is hurting the EV brand, leading to a sharp sales slump across Europe and the US. In China, where Tesla has a large factory on the outskirts of Shanghai, Musk's automaker is more being hurt by intense competition from home-grown competitors like BYD.

The BYD Shark is displayed as the Chinese EV maker launches its new truck on the Mexican market at an event in Mexico City (file). BYD's shares are up around 45% this year while Tesla's have fallen by 36%, also wiping billions of dollars off Musk's personal fortune.

Over the course of the past month, BYD, chaired and run by founder Wang Chuanfu, has delivered a series of product releases that have generated a huge amount of buzz, including smart driving technology for most of its models at no extra cost and an ultra-fast charging system that can add 400 kilometres of range in just five minutes.

BYD's shares are up around 45% this year while Tesla's have fallen by 36%, also wiping billions of dollars off Musk's personal fortune.

Shenzhen-headquartered BYD has set a goal of selling around 5.5mn vehicles this year, 800,000 of which it forecasts may be exports. That signals the Chinese carmaker's ambition to keep going global despite tariffs from the European Union and the US.

BYD currently doesn't sell passenger cars in the US due to the high levies imposed on made-in-China automobiles there and a ban on smart driving EV technology.

Last week, BYD unveiled record net income and full-year revenue that topped $100bn, leapfrogging Tesla on that measure in the process.

Of the 371,419 passenger vehicle sales in March, battery EVs were 166,109 while plug-in hybrids came in at 205,310 units.

China ready to buy more goods from India as US tariffs loom

Bloomberg
New Delhi

China is willing to buy more Indian products to balance trade, Beijing's ambassador Xu Feihong said just ahead of a US tariff announcement expected to hit the south Asian neighbours.

"We are willing to work with the Indian side to strengthen practical co-operation in trade and other areas, and to import more Indian products that are well-suited to the Chinese market," the ambassador to India was quoted as saying by China's state-run Global Times, in a story posted on Monday.

Bilateral trade between the neighbours stood at $101.7bn in 2023-24, according to India's trade ministry, with India running a significant deficit. India's main exports include petroleum oil, iron ore, marine products and vegetable oil, amounting to $16.6bn, according to the government figures.

The envoy's remarks were to mark the 75th anniversary of the diplomatic ties. In a congratulatory message to mark the occasion, Chinese President Xi Jinping also called for stronger communication and cooperation between the world's two most populous countries, according to China Central Television. It is the right choice for the two nations to be partners, Xi said in a message to the president of India, adding that he is willing to deepen coordination in major international matters and jointly safeguard peace in the border areas. US President Donald Trump, who is set to roll out reciprocal tariffs on Wednesday on countries around the world, has called out China and India for trade practices that he sees as unfair.

Indian Prime Minister Narendra Modi lavished praise on Trump in a podcast in March and has been making concessions to appease the US leader. Modi also said he is working with the Chinese President to restore normalcy at the border. Relations between the nuclear-armed neighbours plunged after clashes in a disputed region of the Himalayas in 2020, when skirmishes between troops led to the first deadly clashes in four decades. New Delhi hit back economically, by blocking investment and curtailing access to the vast Indian market for Chinese tech firms especially.

Bloomberg QuickTake Q&A

Why 'drill, baby, drill' is not as easy as it seems

By David Wethe

President Donald Trump promised on the campaign trail to lower energy costs for consumers by increasing US oil and gas production. He's continued with that refrain in office.

"As you've heard me say many times, we have more liquid gold under our feet than any nation on Earth," he said during his address to a joint session of Congress on March 4. "I've fully authorised the most talented team ever assembled to go and get it. It's called drill, baby, drill."

The president can't order oil and gas companies to increase production. But to encourage such investments from the industry, Trump has pursued a deregulation campaign intended to bring down barriers and costs associated with producing oil and natural gas. Industry leaders have welcomed the administration's efforts to ease restrictions and its embrace of fossil fuels over green energy. However, the response to his call to increase production is less enthusiastic. Executives worry that increasing supply will drive down prices and therefore profits, putting them at odds with the president, who wants to deliver on his campaign promise.

Why is Trump pushing to increase oil and gas production?

Trump has an affinity for America's oil and gas bounty — he frequently repeats his "liquid gold" line — and according to the advocacy group Climate Power, the industry donated $96mn to his re-election campaign and affiliated political action committees. Trump made his vow to lower consumers' gasoline and electricity costs an important feature of his campaign.

He can do that primarily through lower oil and gas prices, brought about by higher production.

Exactly what prices the Trump administration wants to see is not clear. When oil prices slid to around $65 a barrel in mid-March, the president called it "phenomenal news". According to a March 10 story in the Financial Times, Energy Secretary Chris Wright has said he believes oil companies could afford to boost output even if prices dipped to $50 a barrel – a price point below the cost of production in many US oil fields.

However, following a later meeting with oil executives, Wright struck a different tone. "I don't think I've mentioned $50 oil before," he told reporters. "I've always said all commodities are supply and demand."

What are the steps Trump is taking to increase supply?

Trump has launched a series of policy measures intended to boost demand for oil and gas and make it easier and less costly to produce those fossil fuels, part of his broader campaign to "unleash American energy dominance". The president has declared a "national energy emergency", laying the foundation for expediting energy infrastructure projects through legal powers not previously used for this purpose. After Trump ordered agencies to review regulations that burden the industry, the EPA announced it was moving to unwind dozens of measures, including limits on methane pollution and other rules that suppress fuel demand. Trump's Energy Department has approved natural gas export licenses paused by his predecessor, former President Joe Biden. The president is also moving to encourage more oil and gas development in Alaska.

However, many of the planned regulatory changes still have to go through a potentially multi-year rulemaking process.

So far, Trump's move with the most immediate impact was his request in January that Saudi Arabia and other nations in the Opec+ oil alliance "bring down the cost of oil". In early March, the group announced plans to gradually increase production, a decision that surprised the global oil market and began to lower prices.

How are oil companies reacting to his call to increase drilling?

Oil company executives are walking a fine line in their response to the president's initiatives. They're embracing Trump's plans to ease pipeline permitting and increase the industry's access to government-controlled land for drilling.

But executives are also bristling at his push to bring down oil prices, which as of March 27 had dropped 10% since Trump returned to office.

"The administration's chaos is a disaster for the commodity markets," one unnamed oil executive said in response to an energy industry survey from the Federal Reserve Bank of Dallas. "'Drill, baby, drill' is nothing short of a myth and populist rallying cry." Most domestic producers plan to grow output in the range of 0-5% this year – hardly the huge jump in production Trump wants. Exxon Mobil Corp and Chevron Corp are expected to expand production in the Permian Basin of West Texas and southeast New Mexico, the most productive oil drilling region in the US, by about 10% – a rate of growth roughly consistent with recent years.

Growth in the production of crude oil in the continental US is expected to be 165,000 barrels a day this year, according to energy consultant Enverus. That would be a slight bump from last year's 120,000 barrel-per-day increase.

What are their concerns?

Increases in production directly lower prices if demand isn't growing at the same pace, and falling oil prices threaten oil companies' ability to turn even a modest profit.

The US oil shale patch comprises a handful of regions between South Texas and North Dakota with dense, oil-rich rock formations. For years, this expanse was the biggest source of growth in the global crude oil market, stealing market share from Saudi Arabia and the other Opec countries. That has now reversed, with Opec+ returning to growth, and shale production holding relatively flat. US oil producers are less able to add much production without seeing a corresponding drop in prices. The US is already hovering at a near-record output of 13.57mn barrels a day of total oil output as of March 21.

The industry is more concerned with healthy profit margins than ever: In the early days of the US shale boom that started in the early 2010s, companies largely funnelled profits into expanding production, but increasingly, they're under pressure from investors to deliver large shareholder returns instead. Wall Street is looking for returns competitive with the rest of the stock market.

Ryan Lance, chief executive officer at oil giant ConocoPhillips, said in February that there's not much that could incentivise his company to drill faster. "I'd say we are drill, baby, drilling," he told analysts and investors on a conference call.

How is the rest of Trump's agenda affecting US oil companies?

Trump's plans to increase tariffs on imports from trading partners all over the world could raise some of US oil companies' costs for various supplies, including the steel used to line the inside of miles-long oil wells and the heavy crude that US refineries import from Canada to make oil-based products such as gasoline and plastics.

On the other hand, Trump's proposed tariffs on countries that buy oil from Venezuela could have the effect of driving crude prices higher as supply becomes more limited around the world.

Trump has also proposed cutting taxes for the oil industry to encourage more output. However, a Citigroup analysis suggests a more generous tax deduction on capital expenses wouldn't necessarily help companies' bottom line if too many companies ramped up production. A $10-per-barrel drop in crude prices would compress the free cash flow – the cash a company has left after paying for operating expenses and capital expenditures – for a company like Devon Energy Corp by more than a third, according to Scott Gruber, an analyst at Citigroup.

"If the administration is serious about driving US oil production higher in the current environment," he wrote in a note to investors, "we think the conversation around the incentives on offer is just getting started".

UK prepares for US tariffs impact amid 'advanced' carve-out talks

Bloomberg
London

The UK government is bracing for US tariffs set to be outlined this week by President Donald Trump to hit the British economy, even as the two governments continue talks on a potential carve-out.
Chancellor of the Exchequer Rachel Reeves told the cabinet yesterday that "the tariffs would have an impact on the UK, which has an open trading economy," Prime Minister Keir Starmer's spokesman, Dave Pares, told reporters, while declining to elaborate on those effects.
Reeves told colleagues that securing an economic deal will provide some mitigation and that she had spoken to US Treasury Secretary Scott Bessent about the looming tariffs on Monday. However, that conversation, and a phone call between Trump and Starmer on Sunday, did not appear to have secured any immediate exemptions for the UK from the so-called reciprocal tariffs that the US is expected to announce today.
The expected US tariffs pose a threat to Britain's already fragile economy. Bloomberg Economics estimates that Britain faces a 1.1% drop hit to gross domestic product if it is subjected to a tariff increase of 25 percentage points, cutting exports to the US by 70%. In a worst-case scenario that sees Britain end up with a 35 percentage-point rise in US tariffs, trade drops by 80%, putting 1.3% of GDP at risk.
Testifying to UK lawmakers yesterday, Jumana Saleheen, chief economist and head of investment strategy group, Europe, at Vanguard Asset Management, said the impact of tariffs depends on the state of the economy before the hit. "What is happening in your economy at the time? Is the confidence level already low or is it high?" Saleheen told Parliament's Treasury Committee. "If it's already low, then obviously with that greater uncertainty you could take a bigger knock than you would if confidence was high."
Starmer told yesterday's Cabinet meeting that the UK would take a "calm, pragmatic approach" and not make a "knee-jerk reaction" to whatever Trump announced, Pares said, indicating that Britain would not immediately retaliate. While talks are at an "advanced stage" for an economic deal with the US, "all options are on the table," the spokesman said. Pares declined to put a time-frame on how long those negotiations could take. A British official familiar with the matter said they could run on for weeks after the levies are imposed.
"Tomorrow is not a deadline: If they take action tomorrow, that is not a reason to walk away from the potential to secure an agreement," Trade Secretary Jonathan Reynolds told BBC radio yesterday. "This is a time for calm heads, this is a time for pursuing again our own national interests."
Britain's exposure to US tariffs is lower than that of the European Union, which faces a 1.5% GDP hit in a plausible scenario, and a 2% blow in a worst-case scenario, according to analysis by Jamie Rush and Antonio Barroso at Bloomberg Economics.
Richard Hughes, chair of the Office for Budget Responsibility, warned last week that if Trump imposed blanket tariffs on the rest of the world it would reduce Britain's economic output by 1% and see the £9.9bn ($12.8bn) of headroom Reeves has against her budgetary rules evaporate, paving the way for tax rises at the autumn budget.
Reynolds earlier told broadcasters that he was optimistic Britain could eventually agree a technology-focused deal with the US which could see new tariffs lifted.
"If any country is able to reach an agreement with the US, I don't believe there's a country better placed than the UK," he told Times Radio. He confirmed Britain was talking to the US about changes to its digital services tax, which Bloomberg reported the UK was considering as a potential sweetener in order to strike a deal with Trump.
The minister also told BBC the UK would "ensure we're not on the receiving end of dumping," suggesting he was ready to impose tariffs and quotas on certain products to protect British firms, and had done so already for steel and aluminium.
The looming pressure on Britain's economy comes at a delicate time.
Earlier yesterday, Starmer insisted that a boost to minimum wage rates at the start of April will help Britons with the cost of living even as a slew of household bills rise this month.
A 6.7% increase in the national living wage comes into effect this week, handing eligible full-time workers £1,400 ($1,810) more per year. It "means we're already giving hard working people more money in their pockets and a proper wage increase worth over twice the rate of inflation," Deputy Prime Minister Angela Rayner in an emailed statement.
Nevertheless, the increase only provides some consolation for Britons who face a £600 rise in their annual households bills starting this month, according to calculations by Bloomberg. Typical water bills are due to rise 26% this financial year, while a price cap on energy bills increases by 6% yesterday. Most local authorities in England are planning to raise council tax by 5%.
Any cost-of-living hit is likely to benefit the right-wing Reform UK party led by Nigel Farage, according to new research by the Labour Growth Group, a caucus of 100 lawmakers, and consultancy firm 5654 & Co. Half of Reform voters polled said they could not afford to take a vacation this year, compared to 30% of the wider public. The government needs to "govern in growth, campaign in costs," focusing its messaging on specifics like holidays and energy bills rather than headline economic growth numbers in order to win round voters tempted by the populist party, said Labour MP Chris Curtis.

Tariff woes depress US manufacturing in March, erode labour demand

Reuters
Washington

US manufacturing contracted in March after growing for two straight months, while a measure of inflation at the factory gate jumped to the highest level in nearly three years amid rising anxiety over tariffs on imported goods. Anecdotes from the Institute for Supply Management survey on Tuesday offered a gloomy assessment of business conditions, with tariffs cited as a major factor by manufacturers.

President Donald Trump's wave of tariffs has eroded business and consumer confidence. The survey added to data, including tepid consumer spending, that have raised the spectre of lacklustre economic growth and higher inflation. That could put the Federal Reserve, which paused its easing cycle in January to allow its policymakers to monitor the impact of the tariffs, in an uncomfortable position.

"Rising prices while business activity slows imply the economy could be heading into stagflation," said Jeffrey Roach, chief economist at LPL Financial. "The Fed finds themselves in a tough spot because shaky corporate and consumer confidence could slow spending, leading to more than just a slowdown."

The ISM said its manufacturing PMI dropped to 49.0 last month from 50.3 in February. A PMI reading below 50 indicates contraction in the manufacturing sector, which accounts for 10.2% of the economy. Economists polled by Reuters had forecast the PMI would slip to 49.5.

Manufacturing started turning around at the beginning of the year after a lengthy recession triggered by the US central bank's aggressive interest rate hikes in 2022 and 2023 to tame inflation. But the nascent recovery appears to have been snuffed out by Trump's tariffs.

"Demand and production retreated and destaffing continued, as panellists' companies responded to demand confusion," said Timothy Fiore, who chairs the ISM's Manufacturing Business Survey Committee. Trump, since returning to the White House in January, has announced and delayed tariffs on Canada and Mexico over what he alleges is their role in allowing the opioid fentanyl into the US, set import taxes on goods from China for the same reason, launched hefty duties on imports of steel and aluminium and slapped a 25% levy on imported cars and light trucks.

Trump promised to announce global reciprocal tariffs on Wednesday, which he has dubbed "Liberation Day." He sees tariffs as a tool to raise revenue to offset his promised tax cuts and to revive a long-declining US industrial base.

But economists have criticised the import duties as inflationary and detrimental to the economy.

Nine industries including textile mills, primary metals, computer and electronic products as well as transportation equipment and electrical equipment, appliances and components grew last month. Among the seven industries reporting a contraction were machinery, wood, paper and chemical products.

Some makers of electrical equipment, appliances and components said there was "no evidence of growing demand," adding that "tariff impacts and mitigation strategies are a daily conversation." Machinery manufacturers said "business condition is deteriorating at a fast pace." While some makers of fabricated metal products reported better-than-expected orders growth, they noted that customers could be "trying to build inventory at current prices to get ahead of expected tariff and related cost increases." Computer and electronic products manufacturers said "customers are pulling in orders due to anxiety about continued tariffs and pricing pressures."

Producers of food and beverages reported they were "starting to see slower-than-normal sales in Canada, and concerns of Canadians boycotting US products could become a reality." Stocks on Wall Street were higher.

Workers at Bay City Foods in the Valencia neighbourhood of California. US manufacturing contracted in March after growing for two straight months, while a measure of inflation at the factory gate jumped to the highest level in nearly three years amid rising anxiety over tariffs on imported goods.

Tesla sales rout in Europe deepens in March amid anti-Musk protests

Reuters
New York

Tesla's sales in key European markets fell again in March, data showed yesterday, adding to signs that drivers are shunning Elon Musk's electric car brand as competition from China stiffens and some protest against his political views.

New Tesla sales in France and Sweden dropped for a third consecutive month, contributing to its lowest first-quarterly sales figures in the two countries since 2021.

"Never has a car brand suffered such a global fall from grace," said Quentin Willson, founder of British EV campaign group FairCharge and a Tesla owner.

Billionaire CEO Musk, a close ally of US President Donald Trump, has stirred controversy by courting far-right parties in Europe, adding to Tesla's sales slump ahead of the much-anticipated launch of its new Model Y mid-size SUV.

In response to his right-wing activism, Tesla cars and dealerships have become targets for vandalism. Dozens of cars were burnt and showrooms spray painted in several European cities including Rome, Berlin and Stockholm in recent days.

"We're all embarrassed," said Luca Del Bo, president and co-founder of Italy's Tesla owners club, who bought his first Tesla 10 years ago and currently owns a 2022 Model 3.

While describing Musk as a genius, he said: "We'd all be happy of course if Musk just went back to just being a CEO."

Analysts expect data from Italy and other European markets on Tuesday and Wednesday to provide more clues on the group's global first-quarter delivery figures, to be released on Wednesday, and consumer sentiment towards the brand.

Tesla registered in March 3,157 car sales in France, 911 in Sweden and 2,211 in Norway, dropping respectively 36.83%, 63.9% and 1% from last year, official data showed.

In Denmark, registrations totalled 593, down 65.6%, and they fell by 61% to 1,536 in the Netherlands.

Quarterly sales were down 41.1% in France, 55.3% in Sweden, 12.5% in Norway, 55.3% in Denmark, and 49.7% in the Netherlands.

The group's market share in France dropped to 1.63% in the quarter ending March from 2.55% a year ago. It lost ground to brands grouped as "others" by national car body PFA. These include BYD and other Chinese EV makers, and saw their share rise to 3.19%.

Spain and Portugal bucked the trend, with Tesla registrations for March up 34.3% and 2.1% respectively. But they dropped 11.8% and 25.7% in the quarter despite an accelerating electrification trend in the two markets that led to market shares gains for some Chinese competitors.

Tesla shares, which have plunged this year, were up 2% in early New York trade yesterday.

Tesla currently faces a number of challenges in Europe. It has a small, ageing lineup while traditional automaker rivals and new Chinese entrants are launching new, often cheaper EVs.

"Tesla's weak numbers in Europe are the result of a combination of factors," Ben Nelmes, chief executive of research group New AutoMotive, said.

Eurozone inflation cools as ECB weighs rate-cut pause

Bloomberg
Frankfurt

Euro-area inflation eased further towards the European Central Bank's 2% target as officials weigh whether or not to continue lowering interest rates.

Consumer prices rose 2.2% from a year ago in March, down from 2.3% in February, Eurostat said yesterday.

That matches the median estimate in a Bloomberg survey of economists. Services inflation – a particular focus for policymakers – moderated to 3.4% from 3.7%, extending a retreat that began in earnest in February. Underlying price pressures, meanwhile, slowed a little more than anticipated to 2.4%.

The ECB must decide in just over two weeks whether to reduce borrowing costs for a seventh time since June, with officials diverging over how big a threat US President Donald Trump's tariffs pose for prices.

Markets on Monday pared bets on the extent of further easing this year after Bloomberg reported that several policymakers are wavering on whether to cut again. Investors now see a 70% of another move on April 17 — down from 85% before.

The outlook may be clearer after Trump's main tariff announcement on Wednesday, with the ECB also having to assess what a surge in European military spending and a German infrastructure-investment drive will mean for the 20-nation eurozone's economy.

"The big picture is one of inflation on track to reach 2%, underlying inflation seemingly declining faster than expected and interest rates approaching neutral territory. Our view was that the ECB would pause to take stock in April, as it appears some officials would prefer.

Falling services inflation, big tariffs on autos and more tariffs coming shortly mean a cut is becoming much more likely," Jamie Rush, chief European economist at Bloomberg.

President Christine Lagarde said last week that a US levy of 25% on imports would lower lower growth in the bloc by about 0.3 percentage point in the first year, increasing later due to European Union retaliation.

The effect on inflation would be far less certain, though in the near term, a weaker euro exchange rate could contribute to an acceleration of about half a percentage point in price growth, she said.