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ECB rate-cut bets build as growth tops list of tariff worries

Saturday, April 5, 2025
Shawwal 7, 1446 AH

GULF TIMES
BUSINESS

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'Worst-case scenario' for tech wipes $1.4tn from Nasdaq

Canada-Qatar partnership enhancing environmental sustainability, says business forum official

By Peter Alagos
Business Reporter

The robust partnership between Canada and Qatar is setting innovative benchmarks in environmental sustainability, especially in the fields of energy efficiency and climate adaptation, an official of the Canadian-Qatari Business Forum (CQBF).

Ibrahim Abdelhalim, CQBF senior business adviser and board member, underscored the role of private-sector partnerships, saying both countries are addressing critical environmental challenges through shared research, technology exchange, and best practices.

"Through strategic partnerships and advanced technologies, this cooperation aims to reduce indoor temperatures by up to 60%, significantly decreasing energy consumption and supporting Qatar's commitment to a sustainable future. These efforts align with the Qatar National Vision 2030, led by His Highness the Amir Sheikh Tamim bin Hamad al-Thani," Abdelhalim told *Gulf Times* in a statement.

"A key driving force behind this initiative is Al Faisal Holding and Aamal Group, which have demonstrated strong support for sustainable development in Qatar," said Abdelhalim, who commended Al Faisal Holding and Aamal chairman HE Sheikh Faisal bin Qassim al-Thani for serving as a "pioneer in Qatar's business landscape".

Under Sheikh Faisal's leadership, Abdelhalim noted that Al Faisal Holding and Aamal "have continuously championed innovation and environmental responsibility in the real estate and construction sectors". Abdelhalim said: "Their commitment to integrating cutting-edge technologies underscores Qatar's dedication to energy efficiency, operational excellence, and long-term sustainability."

According to Abdelhalim, the CQBF is actively working to foster collaborations between Canadian and Qatari enterprises in key sectors that drive innovation and sustainability. "One of these sectors is real estate and tourism development, where integrating energy-efficient solutions into modern infrastructure is essential for long-term environmental and economic benefits," he pointed out.

CQBF senior business adviser and board member Ibrahim Abdelhalim.

Abdelhalim noted that the use of innovative thermal management solutions that enhance energy efficiency in buildings is a "notable example of such technological advancements".

He said EcoloSenergie, a Canadian company specialising in sustainable energy solutions, has developed technologies that significantly improve thermal insulation, reduce cooling costs, and optimise indoor environments.

"These solutions are particularly relevant for Qatar, where high temperatures present ongoing challenges for energy consumption in commercial and residential buildings," Abdelhalim emphasised.

He stressed that several factors highlight the need for innovative sustainability solutions as Qatar continues to expand its urban landscape. These include high energy demand for cooling, rising temperatures increase reliance on air conditioning, leading to higher energy costs, and commitment to sustainability.

"With Qatar's focus on green initiatives, there is a growing need for technologies that support energy conservation and environmental responsibility. Solutions that improve energy efficiency can help reduce operational costs for businesses and homeowners alike," Abdelhalim further explained.

On innovative solutions that are driving sustainability, Abdelhalim said the integration of advanced thermal insulation technologies can bring multiple benefits to Qatar's real estate sector.

These include reducing indoor heat by up to 60%; minimising heat absorption leads to naturally cooler indoor spaces, reducing the need for excessive cooling; lowering energy consumption; cutting air conditioning energy use by up to 40%, contributing to significant cost savings;

Enhanced thermal protection; blocking 95% of infrared radiation and 99% of UV rays, protecting interiors from heat damage and preserving building materials; quick and efficient implementation; can be integrated without major structural modifications, making it an accessible solution for new and existing buildings; supporting Qatar's environmental goals; and contributing to reduced carbon emissions and aligning with global sustainability standards.

Abdelhalim said: "The collaboration between Al Faisal Holding, Aamal Group, and Canadian partners represents a significant step toward a more sustainable built environment in Qatar.

Their commitment to innovation and environmental responsibility is setting new benchmarks for energy efficiency and green development in the country."

He added: "Through strategic partnerships and cutting-edge technologies, Canada and Qatar are working together to develop solutions that will have a lasting impact on energy efficiency and environmental conservation—ensuring a more sustainable future for generations to come."

Sovereign leases and corporate expansion drive 'strong' demand in MDD and West Bay

By Santhosh V Perumal
Business Reporter

Increasing sovereign leases and corporate expansion have led to "strong" demand for office in Msheireb Downtown Doha (MDD) and West Bay, resulting in tighter available supply, according to Knight Frank, an independent global property consultancy.

Demand "remains strong" in prime districts such as Msheireb Downtown and West Bay, where government leases and corporate expansions are tightening available office supply, it said in a latest report.

West Bay-Prime continues to command the highest rental rates at QR105 per sq m per month, maintaining its position as Qatar's premier office destination.

Marina District follows closely with rents averaging QR97 per sq m per month, supported by its appeal to multinational firms and its integration within Lusail's commercial hub, according to Knight Frank.

Meanwhile, a Cushman and Wakefield Qatar (CWQ) report had said the fourth quarter or Q4 of 2024 saw confirmation of several office leasing transactions in Msheireb Downtown District.

Qatar's International Media Office announced in December that it was relocating to the project.

In November, Qatar Airways announced its plan to relocate its global headquarters to MDD and will occupy about 35,000sq m.

The supply of new office buildings has slowed considerably over the past two years; however, Q4 saw the launch of NBK1, a new high-spec office building of approximately 44,000sq m in Msheireb anchored by the Mercedes car showrooms.

Highlighting that office occupancy in West Bay has also increased in 2024, largely off the back of new acquisitions agreed by the Civil Service and Government Development Bureau on behalf of various government bodies, CWQ said: "We estimate that more than 150,000sq m of gross leasable office space has been leased or reserved over the past year, most of which has been in Msheireb Downtown and West Bay."

Available office space in West Bay has now fallen to approximately 160,000sq m, which is less than 10% of the total supply; while available office accommodation in Lusail Marina District stands at about 75,000sq m, it said.

Despite some signs of upward pressure on prime office rents in recent months due to increased take-up, rents remain very competitive, with CAT A space available to lease for between QR100 per sq m and QR140 per sq m per month in West Bay and Lusail; while shell and core offices are available to lease for less than QR100 per sq m per month, according to CWQ.

The Qatar office market experienced a 2.3% decline in 'Grade A' office rents over the past 12 months, bringing the average monthly rental rate to QR90 per sq m, according to Knight Frank.

"This decline reflects a shift in demand dynamics, influenced by factors such as new supply, corporate consolidations, and evolving corporate occupational strategies," it said.

Vacancy rates in secondary locations remain elevated, standing at around 15%, contributing to the downward pressure on rents.

"The decline in office lease rates reflects changing demand dynamics influenced by new supply, corporate consolidations and evolving workspace requirements," said Adam Stewart, Partner – Head of Qatar.

CWQ found that in secondary areas, office spaces can be secured for QR50-60 per sq m per month, reflecting the high vacancies and low demand in these areas.

"To justify new development, office rents will need to increase from current levels. In the meantime, as availability in prime locations reduces, landlords may be encouraged to upgrade the older buildings to meet sustainability requirements of international corporate occupiers," CWQ said.

China hits back hard in global trade war with tariffs on US goods

Reuters
Beijing/Washington

China announced additional tariffs of 34% on US goods yesterday, striking back at US President Donald Trump and escalating a trade war that has fed fears of a recession and triggered a global stock market rout that showed no sign of slowing yesterday.

In the standoff between the world's two biggest economies, Beijing also announced controls on exports of some rare earths, while Trump doubled down as well, vowing not to change course.

China added 11 US bodies to the "unreliable entity" list, which allows Beijing to take punitive actions against foreign entities, including firms linked to arms sales to democratically governed Taiwan, which China claims as part of its territory.

Other impacted nations like Canada have also readied retaliation in a mounting trade war after Trump raised US tariff barriers to their highest level in more than a century, leading to a plunge in world financial markets.

Investment bank JP Morgan said it now sees a 60% chance of the global economy entering recession by year-end, up from 40% previously.

Wall Street fell sharply on Friday morning, after China announced its retaliatory tariffs a day after the Trump administration's sweeping levies knocked off $2.4tn from US equities.

Shares of big tech stocks fell, helping to drive the Nasdaq toward a bear market.

Companies with big exposure to China and Taiwan for manufacturing their products were hard-hit, with Apple down 4.7% and Nvidia down 3.4%.

The Nasdaq showed a 3.69% decline, bringing the index to 20% below its all-time closing high in December.

"This is significant and is unlikely to be over, hence the negative market reactions," said Stephane Ekolo, Market & Equity Strategist, Tradition, London.

"Investors are afraid of a 'tit for tat' trade war situation." Federal Reserve Chair Jerome Powell said on Friday that the tariffs were "larger than expected" and elevated the risk of both higher inflation and slower growth. In prepared remarks at a conference, Powell did not address the swoon in US stocks directly but acknowledged that the same uncertainty engulfing investors and company executives was facing the Fed.

Trump's team has played down the market turbulence as an adjustment that would prove beneficial in the long run. The White House touted stronger-than-expected job data on Friday, after a Labor Department report showed the US economy added far more jobs in March than predicted.

But Trump's sweeping import tariffs could test the labour market's resilience in the months ahead amid sagging business confidence.

"To the many investors coming into the US and investing massive amounts of money, my policies will never change. This is a great time to get rich, richer than ever before!!!" Trump said in a social media post in all caps. After Beijing's retaliation, he posted: "China played it wrong, they panicked — the one thing they cannot afford to do!" Trump on Thursday had said he was open to talking to China and making a deal over TikTok by providing relief for US tariffs on Chinese goods in exchange for Beijing's approval of the sale of the ByteDance-owned short video app.

Speaking to reporters on Air Force One, Trump said it was just an example and did not answer a question on whether plans were underway for him to talk to Chinese President Xi Jinping.

In contrast to the US labour report, Canada's total employment fell and the unemployment rate ticked up in March, data showed on Friday. The country's first monthly decrease in jobs since 2022 was prompted by uncertainty around tariffs, which forced companies to pause hiring and spurred some layoffs.

In Japan, one of United States' top trading partners, Prime Minister Shigeru Ishiba said the tariffs had created a "national crisis" as a plunge in banking shares yesterday set Tokyo's stock market on course for its worst week in years.

US Secretary of State Marco Rubio yesterday disputed any economic crash, telling reporters that markets were reacting to the change and would adjust. "Their economies are not crashing. Their markets are reacting to a dramatic change in the global order in terms of trade," he said at a press conference in Brussels.

"The markets will adjust." With European shares also tumbling to the biggest weekly losses in years, the European Union's trade commissioner Maros Sefcovic will speak to US counterparts.

"We will not shoot from the hip — we want to give negotiations every chance to succeed to find a fair deal, to the benefit of both sides," he said on social media.

The EU is divided on how best to respond to Trump's tariffs.

Countries that are cautious about retaliating and thereby raising the stakes in the standoff with the US include Ireland, Italy, Poland and the Scandinavian nations.

French President Emmanuel Macron led the charge on Thursday by calling on companies to freeze investment in the US However, French Finance Minister Eric Lombard later cautioned against like-for-like countermeasures on the US tariffs, warning this would also rebound on European consumers.

BUSINESS

Wall Street turns icy on US stocks as tariffs hit markets hard

Bloomberg
New York

Wall Street forecasters are turning ice cold on US equities, telling investors to refrain from buying the selloff as President Donald Trump's historic trade war raises the spectre of recession.
Bank of America Corp's Michael Hartnett became the latest to recommend investors "short" risk assets until the Trump administration pivots away from tariffs and toward tax cuts, higher energy supply, deregulation and an aggressive increase in the debt ceiling.
The strategist said that in the event of a recession, investors should wait for the S&P 500 Index to slump between 4,800 and 5,000 points "to go all-in on risk." The low end of that range implies a drop of another 11% from Thursday's close.
UBS Global Wealth Management's Mark Haefele had earlier cut his rating on US stocks to neutral and slashed his year-end target for the S&P 500 by 9%, warning of more market volatility. Legendary investor Bill Gross also urged prospective dip-buyers to stay on the sidelines.

The S&P 500 sank 4.8% on Thursday in the biggest selloff since June 2020. The dollar has erased all of its gains since Trump won the presidency in November, and even the Russell 2000 index of small-cap stocks — which had earlier been touted as a winner from the president's protectionist agenda — plunged into a bear market. European and Asian equities have also tumbled after outperforming the US in the first quarter. With China retaliating against US tariffs with a slew of measures including new levies, traders showed little appetite to return to stocks on Friday. S&P 500 futures sank 3.4%, while in Europe, the Stoxx 600 Index plunged 5.4%. Haefele, the chief investment officer at UBS Wealth, said markets are likely to be "particularly volatile" as countries respond with tit-for-tat tariffs, leading to further earnings and growth downgrades.
He now expects the S&P 500 to end the year around 5,800 points —implying a gain of about 7% from Thursday's close — compared with his earlier estimate of 6,400. "Higher tariffs and lower growth will mean pressure on US corporate earnings, while continued uncertainty, weakening economic data, and the Trump administration's apparent willingness to tolerate economic downside will mean that risk premia are likely to stay elevated," Haefele wrote in a note.
Other strategists including at Goldman Sachs Group Inc. and Societe Generale SA have also cut their projections for the S&P 500 in recent days. But Ed Yardeni of eponymous firm Yardeni Research has emerged as a rare voice advocating for US stocks.

'Worst-case scenario' for tech wipes $1.4tn from Nasdaq

Bloomberg
New York

There's virtually nowhere to hide for many US technology companies under President Donald Trump's new tariff regime, the harshest in a century.
After Thursday's slump wiped $1.4tn in market capitalisation from the Nasdaq 100 Stock Index, the gauge is down 16% in the past six weeks. The Magnificent Seven even more, at 20%. Chipmakers are in free fall. And there's little sign the pain will end anytime soon.
China and Taiwan, the global hubs for chip and high-tech manufacturing, got hit with levies of 54% and 32%, respectively. Nascent production bases like Vietnam and India are staring at taxes of at least 26%.
That's a disastrous setup for companies like Apple Inc, Nvidia Corp and Broadcom Corp, US technology stalwarts that source hardware components and assembly labour from southeast Asia — and use it to make their intellectual property worth trillions. For years, they've woven intricate supply chains that have delivered billions in profits and soaring share prices. It's a system that can't be unwound quickly, which means these companies are faced with a difficult choice: hike prices at a time when consumers are stretched thin or absorb costs and watch profits dwindle.
"This is really a worst-case scenario for tech, and I don't think we've seen the end of the selling, since they will continue to suffer until we get more clarity or a change in policy," said Paul Stanley, chief investment officer at Granite Bay Wealth Management.
Investors reacted swiftly, sending Apple shares tumbling 9.3% Thursday after Trump announced his plan. The drop was the biggest for the iPhone maker since March 2020, erasing more than $310bn from the company's market value. A Bloomberg index that tracks the so-called Magnificent Seven stocks sank 6.7%.
An index of chip related companies dropped nearly 10% with Micron Technology Inc. and Microchip Technology Inc each falling more than 16%. Broadcom sank 11% and Nvidia 7.8%. Amazon.com Inc, whose e-commerce business sells many products sourced from overseas, fell 9%.
Software makers, which have more limited exposure to tariffs, fared much better. Microsoft Corp and Workday Inc, for example, outperformed the S&P 500 with declines of 3% or less.
Tariffs are the latest headache for a tech trade that was minting money just a few months ago. From the end of 2022 to a February peak, the Nasdaq 100 more than doubled, trouncing the broader S&P 500. Since closing at a record on February 19, however, the tech-heavy benchmark has fallen 16% and underperformed the S&P 500 by more than four percentage points. Traders have been taking profits and rotating into more defensive sectors amid fears of a recession and concerns about a potential pullback in spending on artificial intelligence infrastructure.
Wall Street analysts have been befuddled by Trump's vision of bringing manufacturing operations back to the US, something that would be extremely costly and take years if not decades to accomplish.
Apple, for example, might need three years and $30bn to move just 10% of its supply chain from Asia to the US, according to estimates from Wedbush analyst Dan Ives. He said such a move would cause "major disruption" and be a "non-starter" considering that the price of iPhones produced in the US would increase dramatically.
Not everyone is bearish. Jason Britton, chief investment officer at Reflection Asset Management, was a buyer on Thursday even though he's bracing for more volatility ahead.
"There are significant pockets of opportunity being created," Britton said. "I'm deploying cash in the names I liked yesterday. If your investment horizon is longer than 12 months, for companies that were strong businesses yesterday, you should be buying them today."
Amazon.com Inc shares tumbled 9% on Thursday, erasing nearly $190bn in market value. The e-commerce and cloud computing giant's market cap closed below $2tn as the new round of tariffs battered tech stocks. President Donald Trump said the US was close to unveiling a plan that would spare the Chinese-owned social media app TikTok from a US ban, with multiple investors involved in discussions for a deal.
TikTok faces a mountain of litigation over child safety and privacy, a big risk for potential bidders vying to save the popular video app in the US.
Intel Corp. shares gained on a report that the company tentatively agreed to a Taiwan Semiconductor Manufacturing Co joint venture, a sign the beleaguered US chipmaker is moving ahead with a plan that's been highly anticipated by investors.

Stock market information at the Nasdaq MarketSite in New York. After Thursday's slump wiped $1.4tn in market capitalisation from the Nasdaq 100 Stock Index, the gauge is down 16% in the past six weeks.

Dollar wipes out post-Trump rally as tariffs upend global growth

Bloomberg
New York

The dollar has wiped out all of its gains since Donald Trump won the presidency in November as a new wave of tariffs upended global markets.
The Bloomberg Dollar Spot Index fell to around its lowest since mid-October yesterday — levels seen just before the results of the US election on November 5. The world's reserve currency plunged along with US bond yields and US equities on fears that Trump's trade war will slow economic growth.
All of the dollar's Group-of-10 peers — led by the Japanese yen and Swiss franc — rallied on tariff announcement day Thursday as traders sought havens.
"The dollar bear market has arrived and is roaring," said Paresh Upadhyaya, director of fixed income and currency strategy at Amundi, US, adding that the gauge could fall 10% this year as the US is "teetering on the edge of recession."
The $7.5tn a day foreign-exchange market had been on edge leading up to Trump's April 2 tariff announcement, with a few false starts on levies muddying the outlook. Trump's push to roll back decades of globalisation and subsequent measures have led investors to bet against the dollar.
That's in stark contrast to earlier this year when Trump's policy plans — such as tax cuts and tariffs — were seen as a reason to bet on a rally in the dollar.
In February, US Treasury Secretary Scott Bessent said that Trump's policies were "completely intact" with strong dollar, confirming the administration strong dollar stance.
The dollar gauge had rallied about 5% after Trump's election, peaking earlier this year before slumping more than 4% in 2025. It dropped 1.5% on Thursday and traded about 0.4% lower in Asia trading yesterday.
"We may be at the very early stages of a structural selloff in the dollar," said Ed al-Hussainy, a strategist at Columbia Threadneedle Investment.
The last 24 hours have been a "profound galvanising structural moment" for currency markets, according to Richard Franulovich, head of FX strategy at Westpac Banking Corp.
Trump's policy agenda including tariffs and budget cuts have rewired the dollar's relationship with equity risk, he wrote in a note to clients.
"The famed 'USD smile' no longer exists - it's more of a 'USD sneer,'" he said.
For Paul Mackel, global head of currency research at HSBC, what's key for the greenback is investor expectations about the outlook for the US economy.
"We know where the risk to the dollar lies – lower – if the view of a US slowdown alone persists," he said.
Data out of the US have been pointing to a slowdown in growth and a gradually cooling labour market, pushing speculative traders to turn bearish on the dollar for the first time since before Trump's election, according to Commodity Futures Trading Commission data.
The next test comes Friday with the US labour-market report, which is expected to show job growth cooled in March.
"The blowback of US tariffs onto the US domestic economy leaves the dollar naked," said Chris Turner, head of currency strategy at ING.
"US rates continue to be marked lower, and not until we get some surprisingly good news from the US on tax cuts or deregulation may the dollar start to find some support."

Euro emerges as unlikely winner from Trump's trade tariff shock

Bloomberg
Frankfurt

The euro has become an unlikely winner from US President Donald Trump's bid to redraw the global trade order. The currency surged to its highest in six months versus the dollar this week, with its biggest intraday gain since 2015 on Thursday after Trump unveiled tariffs that were more aggressive than expected. Citigroup Inc strategists revised up their euro targets, while options sentiment over a one-year horizon turned bullish for the first time in four years.
It marks a shift from just two months ago, when many in the market anticipated a euro slide to parity versus the greenback on the risk that tariffs would force the European Central Bank to cut interest rates more aggressively. Now, investors are more concerned about Trump's policies potentially harming the US economy and reversing sizeable inflows into dollar assets of recent years. These worries sent the Bloomberg Dollar Spot Index down by the most on record Thursday.
"The euro is likely to be one of the major beneficiaries of a slowdown or reversal of these inflows, because of the degree to which they were provided by euro area investors," said Dominic Bunning, a strategist at Nomura, adding that there was "scope for a structural realignment" buying the common currency.
While traders are pricing in additional easing from the ECB, they now see it making fewer cuts than the Federal Reserve. Traders are pricing three further quarter-point cuts in Europe this year compared to four in the US.
"A growing risk of US recession will force the Fed to ease more aggressively, and the dollar remains about 15% overvalued based on our models," said Luca Paolini, Chief Strategist, Pictet Asset Management.
"When it meets on April 17, the ECB may still be making a decision without knowing what measures the EU might unveil. The governing council won't also have an updated set of macroeconomic forecasts that take into account the tariffs, which boosts the chance that we see a policy pause this time around," says Ven Ram, Macro Strategist at Bloomberg.
So far, it is US markets that have borne the brunt of the pain stemming from Trump's historic import taxes. The price action runs contrary to well-established market mantras that the dollar should benefit and the euro decline during bouts of global risk aversion. The euro's fortunes began to turn last month when Germany moved ahead with a spending ramp-up, and there's hope that vast increases in European military and infrastructure outlays can help shield the bloc's economy from the impact of tariffs. Some investors cite efforts to ease companies' regulatory burdens as another tailwind. The shift is also seen in currency options, where investors are betting on and hedging against further euro strength. Demand for euro call options versus the dollar over a one-year horizon overtook puts for the first time since 2021 on Thursday.
"What we are seeing from Europe is monetary, fiscal and regulatory stimulus," Karen Ward, chief market strategist for EMEA at JP Morgan Asset Management, said on Bloomberg Television in reference to expected actions from the region's policymakers. "That is why you are seeing European assets relatively outperform, the euro outperforming, even though rates are coming down."
The currency's ascendancy reflects a broader aversion to the US as Trump's "America First" trade policy puts the outlook for the world's largest economy and its markets under pressure. Data on Thursday showed recurring applications for US unemployment benefits rose to the highest since November 2021.
To be sure, the euro's rapid surge has left many bracing for a pullback. There are also some concerns over how effective EU officials can be when it comes to shielding the economy, given the bloc's often fractious consensus-based decision-making process.
Yet even if Europe's policy response stutters, the credibility of US decision making is also under question. The nation's formula for calculating tariff rates surprised economists and other countries, and was the focus of scrutiny from investors this week. Deutsche Bank AG strategists warned of a dollar confidence crisis.
"With questions arising of how the tariffs were calculated, we suspect some of this dollar weakness is due to a growing loss of confidence in US policymakers," said Win Thin, a strategist at Brown Brothers Harriman. "If so, this confidence will be very hard to regain no matter how the US data come in."

Euro currency bank notes are displayed in an arranged photograph in Paris. The currency surged to its highest in six months versus the dollar this week, after Trump unveiled tariffs that were more aggressive than expected.

Asian markets extend global rout after Trump's shock tariff blitz

AFP
Hong Kong

Equities extended losses in Asia yesterday, extending a global rout inflicted by Donald Trump's tariff blitz that has inflamed a trade war and ramped up recession and inflation fears.

The US president's harsher-than-expected "Liberation Day" levies sent shockwaves through markets on Thursday, with Wall Street suffering its worst day since the early days of the Covid-19 pandemic and the dollar tanking against major peers.

As stocks were falling off a cliff on Thursday, the 78-year-old Republican insisted they will "boom" as the economy recalibrates. Trump says he wants to make the US free from reliance on foreign manufacturers, in a massive economic reshaping that he likened to a medical procedure.

"It's what is expected," he said. "The patient was very sick. The economy had a lot of problems. It went through an operation. It's going to be a booming economy. It's going to be amazing." And White House Press Secretary Karoline Leavitt warned on CNN: "The president made it clear yesterday this is not a negotiation." Trump later said he would negotiate "as long as they are giving something that is good".

A pedestrian walks past the Tokyo Stock Exchange building in Japan. The Nikkei 225 closed down 2.6% to 33,818.18 points yesterday.

But there is a growing concern that governments will retaliate in kind, further harming global trade and battering the world economy.

Some have already warned they will act, while others have said they will take time to take stock of the impact of the measures.

China demanded the tariffs be immediately cancelled and vowed counter-measures, while France and Germany warned that the European Union could target US tech firms. French President Emmanuel Macron called for suspending investment in the US until what he called the "brutal" new tariffs had been "clarified".

Jim Zelter, president of Apollo Global Management, warned that the chances of a US recession had risen to at least one in two.

He added that the levies could put the Federal Reserve in a bind as it had to weigh hiking interest rates to fight a possible inflation spike or cut them to support the economy.

"If I was here six months ago, I would have said a recession in 2025 or 2026 was one-in-five and now that's certainly one-in-two if not higher," he told Bloomberg Television. Traders are now eyeing a 50% chance the Fed will cut rates four times this year.

Asian investors continued Thursday's retrenchment. Tokyo shed more than 2% for the second day running, with car giants taking the heat once more. Toyota, Nissan and Honda lost between 4.2 and 5.2%. Tech titan Sony and tech investor SoftBank were also sharply lower again. Sydney, Singapore, Seoul, Wellington and Manila were also in the red.

Hong Kong, Shanghai, Taipei and Jakarta were closed for holidays.

The selling came after Wall Street's tech-heavy Nasdaq Composite plunged 6%, the S&P 500 shed 4.8% — its biggest dip in a day since 2020 — and the Dow fell 4%. The dollar remained under pressure, sitting at a six-month low against the yen, euro and sterling.

Oil also extended losses, having tanked more than 6% the day before on fears about the impact of a possible recession on demand.

News that Opec+ had unexpectedly hiked supply three times more than planned added to selling pressure on the commodity.

The "historic selling pressure in stock markets is not an overreaction, considering that recessions have generated significant drawdowns in equities in the past", said Jose Torres, senior economist at Interactive Brokers.

"An economic downturn is now an even chance, with odds rising the longer these trade measures are maintained."

In Tokyo, the Nikkei 225 closed down 2.6% to 33,818.18 points; Hong Kong and Shanghai closed for holiday.

Japan's household spending drops for first time in three months

Bloomberg
Tokyo

Japan's households cut back on spending as inflation remained elevated, in a sign of vulnerability in a key pocket of the economy before sweeping US tariffs hit the country.

Household outlays adjusted for inflation declined 0.5% in February from a year earlier, the ministry of internal affairs reported yesterday. The result compared with the median economist estimate of a 0.8% decline. The drop was led by falling outlays on clothes and footwear, housing and food.

Consumer spending, accounting for more than a half of the economy, is a key component of gross domestic product that's monitored closely by Bank of Japan (BoJ) Governor Kazuo Ueda as he mulls the bank's policy path.

Inflation has stayed at or above the BoJ's price target for almost three years, sapping spending power, and the latest tariffs from the US are now expected to weaken the economy further.

"We expect personal consumption will be negative compared to the previous quarter in the GDP for the January-March period," said Shinichiro Kobayashi, chief economist at Mitsubishi UFJ Research and Consulting. "Consumers may not feel a direct impact from US tariffs, but with the stock market falling so much, consumer sentiment is bound to worsen."

The data come after US President Donald Trump announced across-the-board 24% levies on imports from Japan, which may face a double blow from the measures. The duties will have an immediate impact on the nation's exports. There's also the likely effect on the US economy that could further undermine demand for Japanese goods. Economists say the US will probably see growth slow to an anaemic pace even as inflation stays high.

Policymakers are watching closely to see if the tariffs trigger a severe downturn in Japan, with some predicting a hit of more than 0.5 percentage point to growth. New 25% car tariffs also took effect Thursday.

Until now, data were relatively robust. Japan's overall price growth slowed less than expected to 3.7% in February, driven by food inflation.

The price of rice rose 81% from a year earlier, drawing attention from lawmakers concerned about rising household frustration over the cost of living crunch. Base pay for workers increased 3.1% in January, the fastest pace in 32 years although real income dropped.

In the latest month, among the few areas that saw increased outlays were utilities, for which expenditures rose 8.7% in real terms versus a year earlier.

Prime Minister Shigeru Ishiba's government managed to pass the national budget for this year earlier this week, just before the new fiscal year started.

In doing so the premier pledged to mitigate the impact from inflation on households. Partly due to elevated costs of living, Ishiba's popularity has sagged. The premier will face a key test in national elections likely to be held in July.

Junk bonds suffer worst rout since 2020 with US hit hardest

Bloomberg
New York

US junk corporate bonds led the biggest slump in global high–yield debt since 2020 as the steepest American tariffs in a century triggered fears about worldwide growth.

The extra yield investors demand to own the risky debt instead of Treasuries widened 45 basis points Thursday to 386 basis points, marking the worst selloff since March 2020 at the onset of the coronavirus pandemic, the Bloomberg Global High Yield Corporate index shows.

Yield premiums for lower-rated US notes spiked 53 basis points, also the most since March 2020, to 387 basis points, a separate Bloomberg index shows. That move was significantly bigger than for Asian or European peers.

Many investors dumped US junk bonds and leveraged loans by pulling cash from exchange-traded funds. Some traders also looked to hedge risk in the US high-yield bond market with put options on ETFs, which would rise in value if markets deteriorate.

Other markets reflected similar fear, with stocks plunging, the US dollar weakening and prices dropping for many leveraged loans tied to companies in the US and Europe.

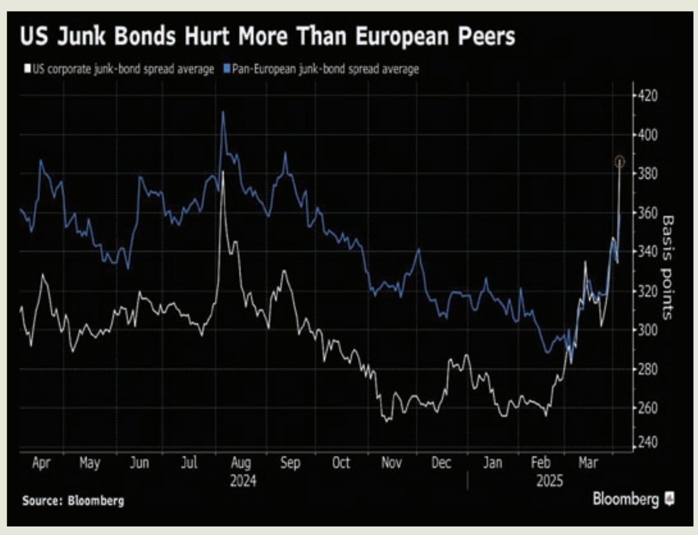
While credit was largely spared the broader volatility seen in stock markets in recent weeks, debt investors have grown wary of how tariffs will directly affect borrowers. This could drive spreads higher, according to Kelly Burton, a managing director who covers US high-yield investments at Barings.

"We appear to be pricing in some level of catch-up because credit has outperformed equities," Burton said. "Decompression will continue in this environment, with more leveraged, CCC rated companies being most impacted." Global high-yield spreads are widening from historical lows and had touched their lowest since 2007 only in February, the Bloomberg index shows.

Their yield premiums have soared to the highest since August, well above their investment-grade peers. That gap is now the widest since 2023, the data show.

Moves for Asian and European junk bonds were smaller Thursday than for US peers. Spreads on Asian speculative-grade dollar debt widened 32 basis points, the biggest increase since August, and 23 basis points for pan-European peers, the largest-daily rise since February of last year, Bloomberg indexes show.

The risk-off spike is also affecting better-rated debt. For global investment-grade bonds, risk premiums rose by seven basis points to 104 basis points over benchmark rates, the highest since September, according to data compiled by Bloomberg.



New American corporate debt issuance is also largely on pause. At least six borrowers that planned to sell such bonds on Thursday stayed on the sidelines, while offerings in the high-yield bond and leveraged loan market have also dried up. Some deals launched before the deepening rout are struggling.

Goldman Sachs Group Inc credit strategists led by Lotfi Karoui wrote in a note on Thursday that they expect credit spreads to continue to widen. The firm forecasts US junk bond spreads will widen to 440 basis points by the third quarter, compared with 380 basis points for euro-denominated peers.

US high-yield "sectors with a higher share of foreign sales have also seen their spreads widen the most, suggesting investors are anticipating some fundamental damage from retaliatory tariffs," they wrote.

Eurozone bond yields drop sharply as recession fears lead to safer bets

Reuters
London

Eurozone government bond yields headed for their largest weekly drop since July 2024 yesterday as investors sought safe havens after far-reaching US tariffs darkened the outlook for the global economy and deepened fears of a recession.

Countries around the world threatened retaliation after US President Donald Trump announced new tariffs, feeding expectations for a global downturn and sharp price hikes in the world's biggest consumer market.

That caused a sell-off in stocks as investors sought the relative safety of government bonds.

The German 10-year bond yield, the benchmark for the euro zone bloc, fell 10 basis points to 2.541%. Yields were set for a weekly decline of 18 bps, the most since late July last year.

Italy's 10-year yield was down 6 basis points at 3.71%, and the gap between Italian and German 10-year bond yields widened to 116 bps.

The French 10-year yield fell 7 bps to 3.297%.

All three 10-year yields continued their slide from Thursday and were at their lowest since early March, before Germany announced its massive spending and fiscal plans that drove eurozone bond yields higher.

Kenneth Broux, senior strategist, foreign exchange and rates, at Societe Generale, described the German bonds' move back to levels before Berlin's spending plans as "symbolic" as Europe's potential growth story has been overshadowed by US tariffs.

"When the dust will settle on this, you would expect yields to find a base and to start grinding higher again because the outlook, besides the tariff story, what Germany is doing with its economy favours higher nominal yields over time," he said.

"But that's not the short term story. It's been overshadowed by the tariffs. How much is it going to take off European growth? What does it mean for the ECB and I think that's what we're trying to find out." Broux said.

German industrial orders stabilised in February, data showed yesterday and January's drop was revised to be less steep, showing that Germany's industrial sector slump could have bottomed out, but the recovery may be slow as US tariffs start to have an effect.

Germany's two-year bond yield, which is more sensitive to European Central Bank rate expectations, hit its lowest since early November 2022 and was last down 8 bps at 1.849%.

Markets are pricing in a more than 70% chance of a quarter-point rate cut this month and see the main rate of 1.75% by the end of the year, implying three more cuts by the ECB.

Markets also have an eye on US non-farm payrolls data later in the day, which is expected to show a slowdown in jobs growth in March.

BP chairman to step down after energy strategy reset

AFP
London


BP chairman Helge Lund.

BP yesterday said chairman Helge Lund will step down after a major reset at the British energy giant that saw it recently shelve carbon-reduction targets to focus on fossil fuel output.

"Having fundamentally reset our strategy, BP's focus now is on delivering the strategy at pace, improving performance and growing shareholder value," Lund, who is "most likely" to step down next year, said in a statement.

The Norwegian, who assumed the role at the start of 2019, added that up until his departure he remains "committed to supporting" chief executive Murray Auchincloss as the latter delivers the group's "strategic and financial objectives".

BP in February launched a major pivot back to its more profitable oil and gas business, shelving its once industry-leading targets on reducing carbon emissions and slashing clean energy investment.

The strategy overhaul followed a difficult trading year for BP, which is under pressure from investors to boost its share price as countries look to slash emissions. To the dismay of environmentalists, the group will also cut cleaner energy investment by more than $5bn annually.

BP plans additionally to offload assets worth a total of $20bn by 2027.

The group suffered a 97-percent slump in net profit last year, while it recently axed 4,700 staff jobs, or around 5% of its global workforce.

Lund has worked with three CEOs at BP, which included helping to guide the company through the turbulent Covid years when demand for energy collapsed.

ECB interest rate-cut bets build as growth tops list of tariff worries

Bloomberg
Frankfurt

The headquarters of the European Central Bank in Frankfurt. Expectations for the ECB interest-rate cuts are rising as investors and analysts assessing the fallout from Donald Trump's tariffs conclude that the outcome for inflation will be more benign while growth will suffer.

Expectations for European Central Bank (ECB) interest-rate cuts are rising as investors and analysts assessing the fallout from Donald Trump's tariffs conclude that the outcome for inflation will be more benign while growth will suffer.

Two days after the US president's big announcement, markets are pricing at least three more reductions in eurozone borrowing costs this year — up from two before. Economists are growing more certain that the ECB will make the first of those moves in April, despite officials not signalling clearly what they'll do.

Behind the shift is the view that Trump's vastly higher levies will scupper economic expansion more than it will spur consumer prices: Bloomberg Economics sees about 1% of European Union output at risk over the medium term, putting downward pressure on inflation.

The dollar, meanwhile, defied predictions that it would strengthen and is doing the opposite — damping fears that a softer euro would raise the cost of imports.

"On balance, the tariff war with the US should increase the pressure on the ECB to lower rates," said Daniel Hartmann, an economist at asset manager Bantleon. While previously leaning towards a pause this month, he now says officials will probably cut the deposit rate by a quarter-point at the next two meetings, and that a further reduction to 1.75% can't be ruled out.

Goldman Sachs economists said in a note on Friday that a cut in two weeks is "now very likely" because the trade shock implies downside risks to growth and inflation. Analysts at Deutsche Bank said the disinflationary effect of weaker expansion "should dominate ECB thinking and keep the easing cycle in play, at least for now."

Some policymakers showed less conviction after Wednesday's announcement. Bundesbank President Joachim Nagel said the tariffs will put the ECB's achievements to the test, while Slovakia's Peter Kazimir highlighted that the measures "primarily affect prices." Only Greece's Yannis Stournaras openly supported another cut this month.

Before Trump's announcements, President Christine Lagarde had presented an analysis showing that blanket levies would lower growth while lifting inflation in the near term. But crucially, this was based on the view that the euro would weaken and that retaliation by the EU would lift prices.

Both assumptions now look questionable. While the euro is trading near the strongest level in six months against the dollar, European Commission President Ursula von der Leyen has indicated that Brussels would prefer to avoid a confrontation and find a negotiated solution in the coming weeks.

The ECB's response "will partly depend on what form any retaliation to the tariffs may take, but our base case is that it adds support to further rate cuts in the coming months," said Colin Finlayson, co-manager at the Aegon Strategic Bond Fund.

Additionally, Asian nations including China are facing duties around 50%, raising the likelihood that global trade flows will be redirected and increase competition in Europe.

Investors have embraced the view that eurozone inflation will turn out lower, with a gauge of expectations for the next year plunging to about 1.5%, the lowest since October and down from 2% about a month ago. They also expect more easing from the Federal Reserve and the Bank of England as a result of the tariffs.

Recent data from the bloc has added to the case for further reductions. Inflation eased to 2.2% in March, while the closely-watched number for the services sector dropped to 3.4% — bolstering assumptions that lower wage growth will dampen domestic price pressures.

US labour market shows resilience before trade tensions escalation

Reuters
Washington

The US economy added far more jobs than expected in March, but President Donald Trump's sweeping import tariffs could test the labour market's resilience in the months ahead amid sagging business confidence and a stock market selloff.

The Labor Department's closely watched employment report yesterday suggested steady momentum in the economy before the Trump administration's reciprocal duties announced this week, which unleashed threats of retaliation and rattled global financial markets. China announced a slew of countermeasures.

"This is a drop of good news in a sea of uncertainty, a footnote given the barrage of activities this week," said Olu Sonola, head of US economic research at Fitch Ratings. "However, this is looking in the rear-view mirror, next month's jobs report will be more consequential."

Non-farm payrolls increased by 228,000 jobs last month after a downwardly revised 117,000 rise in February, the Labor Department's Bureau of Labor Statistics (BLS) said.

Economists polled by Reuters had forecast payrolls advancing by 135,000 jobs after a previously reported 151,000 rise in February. Estimates ranged from 50,000-185,000. Part of the rise in payrolls was a rebound after freezing temperatures curbed activity in January and February.

Payrolls were also boosted by the return of about 10,000 striking supermarket workers. The healthcare sector continued to dominate employment growth, adding 54,000 jobs in ambulatory services, hospitals as well as nursing and residential care facilities. Social assistance payrolls increased 24,000.

Retail employment rebounded by 24,000 jobs, while transportation and warehousing added 23,000 jobs as demand for couriers and messengers as well as truck transportation workers offset warehousing and storage job losses.

Federal government payrolls declined by only 4,000 jobs after decreasing 11,000 in February.

Tech billionaire Elon Musk's Department of Government Efficiency, or DOGE, has taken a chainsaw to the public workforce as part of a radical campaign by the Trump administration to cut spending and downsize the government.

But courts have ordered the reinstatement of thousands of workers, while some have been put on administrative leave and others have opted for deferred resignations, making it difficult to track the job cuts.

The BLS said employees on paid leave or receiving ongoing severance pay are counted as employed, explaining the modest decline in federal government layoffs.

The dollar rose against a basket of currencies. US Treasury yields fell.

The labour market is being underpinned by low layoffs, generating solid wage gains that are helping to sustain the economic expansion. The unemployment rate increased to a still-relatively low 4.2% last month from 4.1% in February as more people entered the labour force.

Average hourly earnings gained 0.3% after climbing 0.2% in February. Annual wages increased 3.8% after rising 4.0% in February. But businesses have been hesitant to hire because of an uncertain trade policy.

Powell warns tariffs will likely raise inflation, cool growth

Reuters
Washington

President Donald Trump's new tariffs are "larger than expected" and the economic fallout including higher inflation and slower growth likely will be as well, Federal Reserve Chair Jerome Powell said yesterday in remarks that pointed to the potentially difficult set of decisions ahead for the central bank.

"We face a highly uncertain outlook with elevated risks of both higher unemployment and higher inflation," undermining both of the Fed's mandates of 2% inflation and maximum employment, Powell said in prepared remarks for a business journalists' conference in Arlington, Virginia.

Powell spoke as global markets continued a swoon that has wiped some 10% off major US stock indexes since Trump announced a raft of new tariffs on Wednesday. Powell did not address the selloff directly, but acknowledged that the same uncertainty engulfing investors and company executives was facing the Fed. Stocks added to the days losses after Powell's remarks were published.

The Fed, he said, has time to wait for more data to decide how monetary policy should respond, but the central banks' focus will be on ensuring that inflation expectations remain anchored, particularly if Trump's import taxes touch off a more persistent jump in price pressures.

"While tariffs are highly likely to generate at least a temporary rise in inflation, it is also possible that the effects could be more persistent," Powell said.

"Avoiding that outcome would depend on keeping longer-term inflation expectations well anchored, on the size of the effects, and on how long it takes for them to pass through fully to prices. Our obligation is to keep longer-term inflation expectations well anchored and to make certain that a one-time increase in the price level does not become an ongoing inflation problem," he said.

Powell said it was not the Fed's role to comment on the Trump administration's policies but rather to react to how they might affect an economy that he and his colleagues regarded just a few weeks ago as being in a "sweet spot" of falling inflation and low unemployment.

But his comments highlighted the tension the Fed is seeing emerge between "hard data" that remains solid — the economy added 228,000 jobs in March with a 4.2% unemployment rate — and "soft data" like surveys and interviews with business contacts that point to a coming slowdown.


Jerome Powell, US Federal Reserve chairman.

"We are closely watching this tension between the hard and soft data. As the new policies and their likely economic effects become clearer, we will have a better sense of their implications for the economy and for monetary policy," Powell said.

"While uncertainty remains elevated, it is now becoming clear that the tariff increases will be significantly larger than expected," he said. "The same is likely to be true of the economic effects, which will include higher inflation and slower growth." "We are well positioned to wait for greater clarity before considering any adjustments to our policy stance. It is too soon to say what will be the appropriate path for monetary policy."

The confounding set of risks, with prices rising even as the economy weakens, has become increasingly central to recent Fed commentary as the scope of Trump's tariff plans become clear and other countries respond.

China has now announced retaliatory tariffs of 34% on all US goods, restrictions on the export of minerals critical to the tech industry, and other measures including limits on imports of US-raised chickens — a nod to Trump's support in rural, agricultural parts of the country.

Global equity markets continued to drop. Administration officials have so far downplayed the decline in equity markets, the worst since the onset of the Covid-19 pandemic, as necessary for US economic gains at some point in the future.

Retaliation by other countries, in this case one of the US's largest trading partners and the wellspring of many trade grievances among US politicians of both political parties, is one of the channels Fed officials have said could cause Trump's import taxes to lead to more persistent inflation. While short of classic "stagflation," Fed Governor Adriana Kugler this week said "we're already seeing some upside risks to inflation and some real increases in inflation… We may be seeing down the road a little bit of a slowdown as well," in the economy overall.

Fed Vice Chair Philip Jefferson noted on Thursday that the "substantial amount of uncertainty around trade" could hit household and business spending, while Fed Governor Lisa Cook said that inflation expectations had ticked up "even before yesterday's larger-than-expected announcements on trade policy."

The push and pull expected between slower growth and rising prices could well keep the Fed on hold until it is clear which trend takes hold more forcefully.

Investors in contracts tied to the central bank's policy rate appear to be expecting the risks to slower growth will dominate. Markets now expect four quarter-percentage-point rate cuts from the Fed this year versus three before Trump's announcement of tariffs that could tax imports an average of as much as 27% by some estimates, versus about 2.5% at the end of the Biden administration.