Industrial market shows resilience amid cautious business sentiment

JOEL JOHNSON
THE PENINSULA

DOHA: Qatar's industrial and logistics sectors showed mixed performance during the first quarter of 2026, with warehouse rents continuing to rise despite softer maritime activity and broader regional disruptions, according to ValuStrat.

The report, citing the latest data from the National Planning Council (NPC), showed that Qatar's Industrial Production Index (2018=100) reached 107.4 points year-to-date as of January 2026, representing a 6 percent increase compared to the fourth quarter of 2025.

The Mining and Quarrying Index rose 1.4 percent year-on-year during the period, supported by continued activity in the energy sector, while the Manufacturing Index declined 1.7 percent over the same timeframe.


Qatar's trade balance surplus stood at QR13bn in February 2026.

Qatar's trade balance surplus stood at QR13bn in February 2026, marking a 26.4 percent decline compared to the same month last year, reflecting softer external trade conditions amid fluctuating global demand and commodity markets.

ValuStrat noted that maritime activity slowed during the quarter, with Qatar Maritime reporting 552 vessel calls across Hamad Port, Doha Port, and Ruwais Port in Q1 2026, down 25.7 percent compared to the previous quarter.

Container handling activity also moderated, with an estimated 291,000 twenty-foot equivalent units (TEUs) processed across the three ports during the first quarter.

Despite softer logistics activity, warehouse rental rates continued to show resilience. The monthly median asking rent for ambient warehouses increased 3.6 percent quarter-on-quarter to QR36.9 per square metre, reflecting a 4.4 percent increase year-on-year.

Within the Industrial Area, ambient warehouse rental rates rose 4.4 percent compared to Q4 2025, supported by steady occupier demand and limited supply adjustments.

In contrast, cold storage facilities experienced softer leasing conditions. Median monthly rents for cold storage warehouses declined 8.2 percent quarterly to QR39.6 per square metre, while rates within the Industrial Area fell 10 percent compared to the previous quarter.

Anum Hasan, Head of Research at ValuStrat, stated that Qatar's industrial and logistics sectors demonstrated varying performance trends during the quarter.

"Industrial and logistics segments presented mixed performance, with warehouse rents increasing quarterly and cold storage rates declining yearly. Maritime activity was impacted, with vessel calls recording a decline amid broader regional disruptions," Hasan said.

She noted that the broader market remained relatively stable despite softer operational activity and cautious leasing sentiment.

According to ValuStrat, near-term sentiment across the industrial and logistics property market remains measured as businesses continue monitoring regional geopolitical developments, trade activity, and global economic conditions.

However, the consultancy indicated that current market trends appear to reflect cyclical and seasonal factors rather than a structural downturn.

"While near-term sentiment remains measured, current indicators suggest a cyclical and seasonal impact rather than a structural shift, with Q2 performance expected to provide greater clarity on the persistence of these trends," Hasan said.

Industry analysts remark that Qatar's logistics and industrial sectors continue to benefit from long-term infrastructure investments, strategic port connectivity, and its role as a regional trade and energy hub.

Experts stressed that the demand for warehousing facilities, particularly ambient storage space, remains supported by retail, e-commerce, food distribution, and industrial supply chain activity, even as businesses adopt a more cautious approach amid evolving regional and global market conditions.

BOJ chief says world is facing fifth 'oil price shock'

TOKYO: Bank of Japan (BOJ) Governor Kazuo Ueda **(pictured)** said yesterday that the global economy has been hit by significant spikes in energy prices since the 1970s, and the world is now facing a fifth "oil price shock."

Speaking at an international conference in Tokyo, Ueda said Japan's consumer prices have responded differently to oil price increases across various periods, meaning that central banks should not view oil prices in isolation, as the same oil price increase can have very different effects depending on wages, expectations, demand and exchange rates.

Ueda further explained that a temporary shock can become persistent if it changes wages, expectations and price-setting behavior. Conversely, a large shock can remain temporary if those channels do not activate.

Drawing on Japan's previous experience, Ueda concluded that oil price shocks are never just oil price shocks, but are tests of the entire inflation regime.

Persistently high international energy prices, driven by ongoing tensions in the Middle East, have triggered a supply crunch in oil-derived raw materials, sending ripple effects through Japan's economy and prompting a growing number of food and beverage companies to raise prices.

The BOJ is scheduled to hold its next monetary policy meeting on June 15 and 16 to decide whether to raise its benchmark interest rate, currently at around 0.75 percent.

Although the central bank kept the rate unchanged at its April policy meeting, three of its nine policy board members have called for a rate hike to curb inflation.

US consumer confidence declines as inflation, high gas prices strain households

NEW YORK: US consumer confidence declined slightly in May as persistently high gasoline prices and elevated inflation continue to strain household budgets, standing in sharp contrast to soaring domestic stock prices.

The Conference Board Consumer Confidence Index dipped 0.7 points to 93.1 in May, down from an upwardly revised 93.8 in April, according to preliminary survey results issued on Tuesday. The Present Situation Index, which is based on consumers' assessment of current business and labor market conditions, retreated by 3.2 points to 121.2. Conversely, the Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, rose by one point to 74.4.

The survey period for the month's preliminary results spanned May 1 to May 19, a timeframe heavily impacted by


Consumers' average and median 12-month inflation expectations ticked downward but remained elevated.

the ongoing conflict in the Middle East, which continues to place significant upward pressure on global prices.

"Consumer confidence edged downward in May as the inflationary impacts of the war in the Middle East intensified," said Dana M. Peterson, chief economist at The Conference Board. "Consumer appraisals of current business conditions and the current labor market were moderately less positive compared to last month.

This was somewhat offset by modest improvements in consumers' expectations for business conditions and the labor market six months from now. Meanwhile, income expectations eased in May, as those anticipating less income rose."

The decline in the Conference Board's metric aligns with a separate gauge of consumer sentiment compiled by the University of Michigan, which plummeted to a record low this month.

Consumers' average and median 12-month inflation expectations ticked downward but remained elevated, according to the latest survey results.

Across the US economy, sudden spikes in gasoline prices and higher food costs have significantly worsened overall inflation. This upward price pressure has outpaced the growth in average paychecks in recent months, effectively reducing the purchasing power of most Americans.

The oil price shock remains the primary driver of consumer anxiety. Gasoline prices have soared to a nationwide average of $4.49 a gallon, a drastic increase from 2.98 dollars recorded at the end of February. Pump prices have remained painfully elevated for consumers, hovering at or above 4.50 dollars a gallon for nearly all of May. — ***XINHUA***

Germany warns on trade imbalance as economy minister visits China

BEIJING: Germany's economy minister began a visit to China yesterday with Berlin saying it wanted to boost cooperation with a key partner while also warning of worsening trade imbalances.

Katherina Reiche arrived in Beijing for the three-day trip, the latest senior German official to head to Berlin's top trading partner as they seek to navigate increasingly complex ties.

China long a reliable market for German exports, from cars to factory machinery has in recent years become a fierce competitor in many industries, turning the relationship on its head. — ***AFP***

Kyrgyzstan's central bank keeps key interest rate at 12%

BISHKEK: The National Bank of Kyrgyzstan announced on Tuesday its decision to maintain the key interest rate at 12 percent, effective May 26. In the year to May 15, inflation in the country reached 4.7 percent, while annual inflation stood at 10.9 percent, the central bank said in a statement.

Meanwhile, the country's economy is maintaining strong growth amid stable consumer and investment activity, it said.

From January to April, real GDP expanded by 12.4 percent year on year, driven mainly by growth in the services and industrial sectors, as well as increased construction activity fueled by higher investment in fixed assets and the implementation of infrastructure projects. Rising real household incomes have also supported domestic demand, according to the statement.

The central bank noted that monetary conditions remain tight and are intended to minimise the impact of external inflationary pressures and contain secondary domestic inflationary effects. The policy aims to create conditions for inflation to return to the range of 5-7% over the medium term. — ***XINHUA***

Bank of America sharply lifts Republic of Korea outlook on AI chip boom

SEOUL: Bank of America has sharply raised its 2026 growth forecast for Reupublic of Korea, citing an artificial intelligence-driven semiconductor boom that it said is strong enough to lift exports, investment, consumption and government revenue. The bank upgraded its 2026 GDP growth forecast for Republic of Korea to 3.1 percent from its previous estimate of 1.9 percent, calling the revision "a clear shift to above-trend expansion," according to its report released Tuesday. It also raised its current account surplus projection to 15 percent of GDP, citing stronger-than-expected momentum in the global tech cycle.

The revision marks one of the more bullish calls on Republic of Korea's economy, as surging demand for memory chips used in AI servers continues to power exports and corporate earnings. BofA said its DRAM price forecast for this year had been raised by 48


Containers are stacked at a port in Pyeongtaek, Gyeonggi Province, Republic of Korea.

percent from its March projection. Year to date, Republic of Korea's exports rose 41 percent, with semiconductors contributing 36 percentage points to that figure. "This semiconductor-driven upswing has continued to underpin headline growth," the report said.

BofA expects net exports to contribute 1.3 percentage points to GDP growth both this year and next, anchoring its upgraded outlook.

The report suggests the chip cycle is beginning to spread beyond exports. Facility investment rebounded in the first quarter, helped by rising chip-related spending, while combined capital expenditure by Samsung Electronics and SK hynix is expected to rise 41.9 percent this year. Consumption is also showing signs of recovery. Retail sales rose 7.3 percent on-year in March, the strongest pace since August 2022, while department store sales climbed 10.5 percent. BofA said the stock market rally may be strengthening Reupublic of Korea's traditionally weak equity wealth effect, particularly among middle- and higher-income households.

The semiconductor boom is also improving the government's fiscal position. BofA estimated that Samsung Electronics and SK hynix could collectively contribute over 100 trillion won ($66.68bn), or about 4 percent of GDP, in tax revenue this year, more than 10 times their 10-year average.

That could give the government room for another supplementary budget of about 25 trillion won in the second half, following the 26.2 trillion won package passed in April, the bank said. "This sets up a rare alignment of strong private-sector capex and public fiscal stimulus, reinforcing the growth upside while helping to offset the energy shock," BofA said. But the stronger outlook also comes with a policy twist. BofA now expects the Bank of Korea to raise interest rates twice in the second half, taking the terminal rate to 3 percent.

The bank cited above-trend growth, inflation expected to average around 2.7 percent, higher oil prices from the prolonged Middle East conflict and continued won weakness near the 1,500 level against the US dollar, while pointing to a more hawkish composition of the central bank's monetary policy board.

Risks remain centered on whether the AI-led chip cycle can last into next year, as well as energy shocks, geopolitical spillovers and possible policy overtightening. Still, BofA said fiscal buffers and limited production disruption so far suggest those risks remain "tail risks rather than cycle-breakers." — ***THE KOREA HERALD***

Brazil's President Lula launches new oil, gas drilling in western Amazon

MANAUS: Brazilian oil giant Petrobras announced yesterday the drilling of new wells at an oil and gas field in the Amazon rainforest for the first time in a decade, at an event attended by President Luiz Inacio Lula da Silva.

Petrobras president Magda Chambriard announced 2.5bn reais ($500m) in investments to drill 22 new wells to boost production and explore for new oil at the Urucu field in the state of Amazonas.

The field, which has been operating for 40 years, is Brazil's largest onshore oil and natural gas field and produces about 105,000 barrels of oil per day.

"We are back to fulfill, among other things, our role of ensuring oil and gas production within the state," Chambriard said.

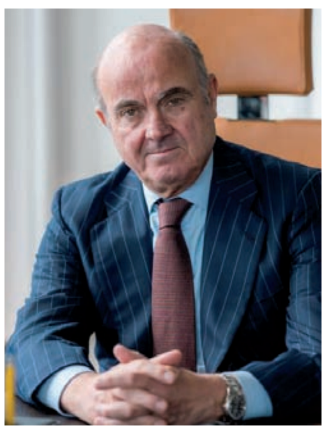
"We are Brazilians; we love Brazil, we love Petrobras, we want to live well, we want to work well, and we want to study well and this will only be possible if the economy is growing," said Lula.

Chambriard said the investment at Urucu would lead to a 20-percent increase in oil and gas production, and the creation of 14,000 jobs.

Brazil is the world's ninth biggest oil producer, almost 95 percent of which comes from offshore reserves.

Natural gas from Urucu is used to generate 65 percent of the electricity consumed in Manaus and five other municipalities in the impoverished northern Amazon region. — ***AFP***

'Euro area financial stability overshadowed by Iran war'



FRANKFURT: The Iran war has triggered a major geoeconomic shock, which will shape the outlook of the euro area financial stability, the European Central Bank (ECB) said yesterday.

"While the full impact of the war is unclear at this stage, the repercussions for the global economy and financial stability are becoming graver the longer it lasts," said ECB Vice President Luis de Guindos **(pictured)** in the Financial Stability Review published yesterday.

"Prolonged geopolitical tensions and lingering fiscal challenges could test financial market sentiment and expose sovereign vulnerabilities," said the review.

The war is putting the resilience of the economic growth, which "surprised on the upside" at the turn of the year 2025-26, to the test, de Guindos said.

The Iran war has brought a noticeable impact on the economy as global supply of energy and other commodities has been disrupted, growth prospects dented and energy prices elevated.

An ECB survey showed that consumers in the euro area in March were expecting markedly higher inflation after the breakout of the Mideast conflict.

ECB chief Christine Lagarde noted at a press conference last month that the central bank will keep a close eye on incoming information to better assess the severity and duration of the fallout of the war.

De Guindos repeated that the energy supply shock poses upside risks to inflation and downside risks to economic growth.

"It could also increase market volatility and challenge debt servicing capacities as financing costs rise in an environment of weaker economic growth," said the ECB official.

At a time of heightened geoeconomic stress and uncertainty, de Guindos warned that financial asset prices, which "look stretched", leave markets vulnerable to sharp repricing.

In its staff macroeconomic projections published in March, the ECB revised the short-term growth outlook down.

An ECB survey showed that consumers in the euro area in March were expecting markedly higher inflation after the breakout of the Iran war. — *XINHUA*

African Development Bank Group holds 61st annual meetings in Brazzaville

BRAZZAVILLE: The 61st Annual Meetings of the African Development Bank (AfDB) kicked off Tuesday in Brazzaville, capital of the Republic of the Congo, with Congolese President Denis Sassou Nguesso attending and addressing the opening ceremony.

Held under the theme "Mobilising Africa's Development Financing at Scale in a Fragmented World," the meetings bring together finance ministers and central bank governors from the AfDB's 81 member countries, as well as representatives from bilateral and multilateral development institutions, academia, non-governmental organisations, civil society and the private sector.

Ludovic Ngatse, chair of the AfDB Board of Governors and Congolese minister of economy, planning, statistics and foresight, said the meetings provide an important platform for participants to discuss the bank's future financing priorities and mark a turning point in the adjustment of its financial architecture.

AfDB Group President Sidi Ould Tah said Africa's development must be driven by African leadership, noting that African countries need to strengthen their financing architecture and turn the continent's opportunities into tangible development outcomes.

In his address, Sassou Nguesso said African countries should build a more coordinated financing framework in key areas such as infrastructure, education, health and agriculture. He thanked the AfDB for its long-standing support for infrastructure and agricultural development projects in the Republic of the Congo, and expressed the hope that the bank would fully play its role as a financing partner.

Following the opening ceremony, participating leaders held a high-level discussion on infrastructure development and other issues.

The meetings will run until May 29. Participants are expected to focus on ways to leverage Africa's resources and young population better to mobilize capital at scale and strengthen the continent's financial agency in global markets amid a rapidly changing and diversified global environment. — *XINHUA*

Value of chip giant SK hynix joins Micron to top $1 trillion

SEOUL: The market value of Republic of Korea's memory chipmaker SK hynix soared past $1 trillion yesterday, fueled by frenzied global demand for the computing hardware that powers artificial intelligence tools, a surge that also carried US-based Micron across the threshold.

SK hynix's new benchmark comes on the heels of rival Samsung Electronics, whose market capitalisation also topped $1 trillion this month, fanning frustration among its workers, who have since struck a deal with management securing massive bonuses and averting a strike.

Shares in SK hynix, which supplies Silicon Valley AI chip titan Nvidia with advanced high-bandwidth memory, were up more than 11 percent in early afternoon trade.

Its new valuation makes the company one of just three $1 trillion firms in Asia, along with Samsung and Taiwanese contract chipmaker TSMC, according to Bloomberg.

Idaho-based Micron also crossed the $1 trillion barrier on Tuesday and jumped another five percent at the opening of trade on Wall Street yesterday.

Governments and tech firms worldwide are pouring hundreds of billions of dollars into AI data centers that can train and run tools such as chatbots, image generators and agents. — *AFP*

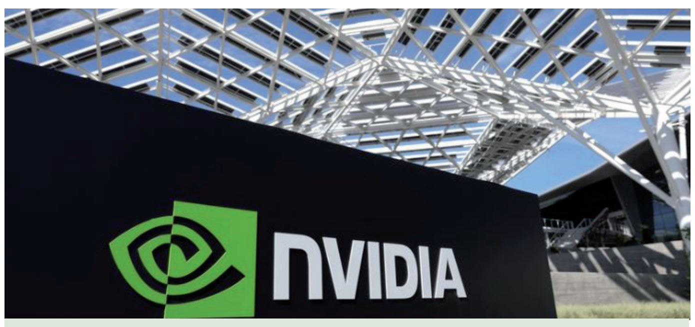
US chip giant Nvidia to increase investment in Taiwan to $150bn per year

TAIPEI: Nvidia will increase investment in Taiwan to $150bn a year, the US chip giant's boss said yesterday, describing the export-driven island as the "epicentre of the AI revolution".

Jensen Huang, the chief executive of the world's most valuable company, said "Taiwan is booming" and Nvidia's investment, up from $100bn, will "fuel an incredible ecosystem here".

Taiwan is a powerhouse in the manufacturing of semiconductors used to train and power artificial intelligence systems.

The island is home to hardware production giants TSMC, which turns Nvidia's cutting-edge designs into silicon components, and Foxconn, which assembles the processors to make data centre servers.



Nvidia's Net profit surged to $58.3bn, more than tripling from $18.8bn in the year-earlier period.

"Four years ago, five years ago, Nvidia was spending about $10, $15bn a year in Taiwan," Huang said in Taipei where the company is building a new office.

"Now, we're spending $100 going to $150bn in Taiwan each year."

Taiwan is a powerhouse in the manufacturing of semiconductors used to train and power artificial intelligence systems.

Taiwan's economy soared last year thanks to skyrocketing exports of AI hardware as governments and companies around the world pour hundreds of billions of dollars into developing the technology.

"Taiwan is the epicenter of the AI revolution," Huang said.

"This is where the chips come, packaging comes. This is where the systems are made. This is where AI supercomputers were created," he said.

Huang said Nvidia "will continue to grow" in Taiwan where its new office will be able to accommodate "about 4,000 engineers".

"This is going to be the manufacturing, the technology, electronics manufacturing hub for the world for a long time to come," Huang said.

"And so we will be here to support, to partner with our ecosystem, to do co-engineering with our ecosystem partners and to support their growth. And so this is going to be a very important site for us."

Huang is in Taipei ahead of the island's top tech show, Computex, next week.

His remarks came after Nvidia last week posted record quarterly revenue of $81.6bn, blowing past Wall Street forecasts as insatiable demand for its AI hardware powered another blockbuster quarter.

The results for the first quarter marked an 85 percent jump from the same period a year ago and a 20 percent rise from the prior quarter, underscoring Nvidia's status as the primary beneficiary of a global AI infrastructure buildout.

Net profit surged to $58.3bn, more than tripling from $18.8bn in the year-earlier period. — *AFP*

German council of economic experts cuts 2026 growth forecast

BERLIN: Germany's council of economic advisers cut its 2026 growth forecast yesterday, warning that the Middle East war, surging energy prices and persistent US trade protectionism were placing fresh strain on Europe's largest economy after years of stagnation.

The German Council of Economic Experts, a panel of five economists appointed by the German president, said it now expected the economy to expand by just 0.5 percent this year, down 0.4 percentage points from its previous forecast issued last autumn, with the revision driven primarily by the war in the Middle East.

"After a prolonged period of weak growth since 2019, the German economy is facing increased pressure to adapt as a result of recent geopolitical developments," the council said in its spring economic outlook.

The war and the resulting sharp rise in crude oil and gas prices, along with US trade policy, were weighing on economic activity and eroding purchasing power through a deterioration in Germany's terms of trade, it said.

The council warned that the main downside risk to the outlook was that the war could drag on longer and cause more severe economic disruption than currently assumed. Germany has struggled to regain momentum in recent years as high energy costs, weak industrial output and sluggish external demand weighed on growth. The council expected that fiscal expansion measures, including large-scale infrastructure investment, could provide some cushion. It forecast a growth of 0.8 percent in 2027. — *XINHUA*

Samsung workers approve bonus deal after big AI profits

SEOUL: Samsung Electronics union members yesterday approved a deal with management securing massive annual bonuses after threatening a major strike, as the global artificial intelligence boom causes the Republic of Korea's chip giant's profits to soar. The agreement means that around 78,000 employees from the company's 125,000-strong domestic workforce are eligible to receive a bonus of roughly $370,000 this year, based on a market estimate of annual operating profit.

Samsung's largest workers' union said in a statement that more than 73 percent of its members had backed the agreement in an electronic vote held over six days.

The deal was struck at the last minute last week to avert an 18-day strike that had raised fears over the impact on South Korea's economy.

"It isn't quite at the level we wanted... we just have to accept what we get," a 23-year-old chip worker told AFP, requesting anonymity.

The employee acknowledged there was criticism of the large payouts both from within the company and among the wider public, but said "people are just badmouthing us without even trying to understand the situation". Frenzied demand for the memory chips that power AI data centres has turbocharged Samsung's earnings.

The firm in April said first-quarter operating profit soared roughly 750 percent year-on-year, while its market value topped $1 trillion for the first time this month.

Under the union's 10-year deal, which is tied to ambitious performance targets -- annual bonuses for employees in the semiconductor division would amount to 10.5 percent of their segment's operating profit.

The bonuses will be paid in shares, alongside an additional 1.5 percent in cash. The bonus scheme has fuelled tensions among workers in other divisions who will receive different rewards under the deal as well as subsidiaries and shareholders.

Within Samsung Electronics, the deal has deepened divisions between employees in the highly profitable semiconductor business and other divisions such as mobile, display and consumer electronics, where profits have stagnated or declined.

The prospect of a strike had sparked wider concerns in Republic of Korea, where Samsung Electronics alone accounts for around 12.5 percent of gross domestic product and memory chips make up about 35 percent of exports. It has also fanned a debate over how AI profits should be distributed. A senior presidential official has floated the idea of a "national dividend" arguing that excess AI-related tax revenue could be used to support social welfare programmes.

Analysts say large bonuses could help prevent engineering talent from moving abroad, as US firms such as Tesla ramp up investment in AI chips.

According to Samsung's union, workers at rival chipmaker SK hynix -- which also hit a $1 trillion market capitalisation yesterday received bonuses more than three times larger than those paid by Samsung last year.

The promised windfall at both firms has sharply elevated the social status of chip engineers in South Korea.

A simple jacket bearing the SK hynix logo went viral on social media this month as a symbol of wealth and success, with parody posts depicting it as a "golden ticket" to luxury boutiques or better dating prospects. — *AFP*

Seoul shares scale to new peak on extended chip rally

SEOUL: Seoul shares rose for the fourth consecutive session to a new peak of over the 8,200-point mark yesterday, driven by a strong rally by Samsung Electronics and SK hynix. The local currency gained against the US dollar.

The benchmark Republic of Korea Composite Stock Price Index gained 181.19 points, or 2.25 percent, to close at a record 8,288.7, after rising as high as 8,457.09.

The index opened 2.42 percent higher and extended gains to surpass the 8,450-point level early in early trading, with a buy-side sidecar issued to halt the Kospi futures for five minutes.

Overnight on Wall Street, the S&P 500 and the Nasdaq clinched all-time closing highs, lifted by surging chip stocks. Chipmaker Micron surged 19 percent to hit $1 trillion in market value for the first time.

Trading volume was heavy at 615.2 million shares worth 55.8 trillion won ($37.2 billion), with losers far outnumbering winners 75 to 823.

Individuals purchased a net 403.4bn won worth of shares and institutions bought a net 189.6bn won, offsetting a net foreign selling of 448.4bn won. Foreigners remained net sellers for the 15th consecutive session.

An electronic board showing the Korea Composite Stock Price Index at a dealing room of the Hana Bank headquarters in Seoul, S Korea, yesterday.

"The two biggest semiconductor shares led the rally," said Kim Seok-hwan, an analyst from Mirae Asset Securities. "Other semiconductor-related shares fell on profit taking."

Samsung Electronics climbed 2.68 percent to 307,000 won and SK hynix soared 9.31 percent to 2.24 million won to become the second South Korean company to top 1,500 trillion won ($1 trillion) in market value.

Samsung Electro-Mechanics, an electronic components manufacturing affiliate of Samsung Electronics, rose 3.69 percent to 1.63 million won, and SK Square, an AI investment firm, surged 8.04 percent to 1.27m won.

However, most shares ended lower. Top carmaker Hyundai Motor fell 1.16 percent to 681,000 won and its sister Kia dropped 1.38 percent to 164,700 won.

Steel giant POSCO Holdings tumbled 4.19 percent to 423,500 won, and internet firm Kakao retreated 2.29 percent to 40,500 won. Leading retailer Lotte Shopping declined 3.97 percent to 152,200 won, and cosmetics manufacturer Cosmax fell 2.87 percent to 176,200 won.

The Republic of Korea's won was quoted at 1,501.2 won against the US dollar at 3:30 p.m., up 3.1 won from the previous session. — *THE KOREA HERALD*

Bond market ushers in Warsh era with bets on 2026 hike

WASHINGTON: As Kevin Warsh takes the helm at the Federal Reserve, bond investors are betting he'll prioritise the central bank's inflation-fighting credibility over President Donald Trump's push for lower interest rates.

With the Iran war unleashing the biggest inflation surge since 2023, traders are pricing in that the Fed is virtually certain to start raising rates by December.

That's a sharp reversal from just three months ago, when markets were betting there were deeper cuts ahead.

The shift reflects the impact of turmoil in the Middle East, the resilient US economy and an AI-investment boom pushing the stock market higher, all of which have fueled concerns that inflation could remain stuck above the Fed's 2% target for some time.

In a volatile trading week, two-year Treasury yields - the most sensitive to Fed policy expectations climbed to as much as 4.14% Friday, the highest in more than a year and nearly 40 basis points above the top end of the Fed's benchmark rate range.

Thirty-year yields briefly touched 5.2% last week, a level last seen in 2007, before retreating to 5.06%.

Warsh assumes leadership as a growing number of Fed officials abandon their easing bias. Governor Christopher Waller, a Trump appointee who earlier this year advocated for rate cuts to protect the labor market said Friday that the Fed's next move is now just as likely to be a hike.

A slew of policymakers, including Vice Chair Philip Jefferson and New York Fed President John Williams, are scheduled to speak this week. — *THE WASHINGTON POST*