

### International and markets

**US:** Non-farm payrolls increased by a higher-than-expected 390k in May (+436k in April). For the third straight month, unemployment was unchanged at 3.6% while labor participation inched up to 62.3% from 62.2%. The 3.6% unemployment rate is a touch higher than the pre-pandemic 3.5% rate of February 2020, which was the lowest in at least 30 years. A separate survey showed that job openings dropped by 455k in April to a still very elevated 11.4 million, but down from a record-high 11.85 million in March. Meanwhile, the ISM manufacturing index increased to 56.1 in May (55.4 in April), beating expectations and reflecting growth for 24 consecutive months.

**Europe:** CPI inflation delivered another upside surprise in the Eurozone, hitting a record 8.1% y/y in May (consensus 7.8%) from 7.4% in April. The core rate rose to 3.8% from 3.5% in April. Producer price inflation in April also rose by a record 37.2% y/y, with upside pressures led by but spreading beyond energy costs. The EU agreed to ban most oil imports from Russia by year-end and with the UK will ban insuring ships with Russian oil, compounding challenges facing the energy-intensive industrial sector. The final Eurozone PMI for May dipped to 54.8 from 55.8 in April, with services softening (56.1) but well ahead of beleaguered manufacturing.

**China:** The official composite PMI contracted for the third consecutive month in May (48.4), highlighting the negative impact that lockdowns have had on business activity, although the contraction in the individual manufacturing (49.6) and non-manufacturing (47.8) PMIs was narrower than expected.

**Financial markets:** Global equities mostly resumed their weekly losses as a strong US jobs report reinforced rate hike expectations. The MSCI ACWI shed 0.5% w/w led by the S&P 500 (-1.2%). Emerging markets outperformed, lifted by China (CSI 300; +2.2%) amid an easing of Covid restrictions. The MSCI GCC gained 1.1% w/w led by Dubai (2.7%) and Kuwait (All-Share +1.7%) on the back of higher oil prices.

**Oil:** Brent increased for the third straight week (+0.2% w/w). Prices gained on the EU's embargo of seaborne Russian oil exports and on further easing of lockdown restrictions in China and despite the OPEC+ decision to increase the rate of monthly supply increases in July/August (by 216 kb/d to 648 kb/d).

### MENA Region

**Kuwait:** Consumer price inflation came in at 4.7% y/y in April (4.4% in March) with core inflation (ex food & housing) edging

up slightly to 4.8% from 4.7%. Consumer spending figures for May showed outlays easing for the second consecutive month to stand at KD2.7bn (-5.4% m/m; 21% y/y), with overseas travel (Eid) possibly playing a part in the slowdown. Meanwhile, the head of the parliament's financial committee called for all members to present their perspective on the "retirees' law" by June 9 so that parliament could pass the KD3K award and the KD20 raise in pension salaries in its June 14 session.

**Saudi Arabia:** The PMI remained stable at 55.7 in May, indicating improving business conditions for 21 consecutive months. Credit continued to expand at a solid pace (+1% in April), resulting in y/y growth of 14.6% (+11% excluding mortgages), while the government's deposits with SAMA are up 4.4% YTD, reaching SAR402 billion.

**UAE:** The PMI increased to 55.6 in May (54.6 in April) driven by the output and new orders indices. Meanwhile, the government signed a \$10 billion industrial partnership with Jordan and Egypt, aiming to secure flexible supply chains and reduce price volatility in many sectors such as food, fertilizers and textiles.

**Egypt:** The Customs Authority raised (i.e. weakened) the USD customs exchange rate 9% to EGP18.65 from EGP17.00, bringing it almost in line with the official exchange rate of EGP18.66. Meanwhile, the cabinet postponed plans to reform bread subsidies (by substituting that with cash transfers) until further notice. Finally, the PMI remained in contraction territory at 47.0 in May albeit up fractionally from 46.9 in April.

### Key takeaways:

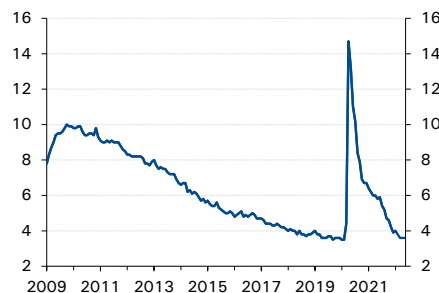
- While May job additions in the US came in higher than expected, it was the lowest monthly gain since April 2021, reaffirming a softening trend in terms of job creation momentum, a trend that is expected to continue for the coming months.
- Record Eurozone CPI inflation and signs of rising business costs are giving ECB hawks a stronger hand ahead of upcoming policy meetings. Small 25bps rate hikes are expected in both July and September, but larger 50bps steps cannot be ruled out even if the economy continues to weaken.
- Markets were underwhelmed by the OPEC+ decision, since it did not result in any fresh supply—merely bringing forward increases already scheduled. More output may be needed to satisfy the rise in oil demand linked to China's emergence from lockdown and offset expected further Russian supply declines.
- The latest change in Egypt's customs exchange rate will add to upward pressures on inflation, putting pressure on the CBE to hike interest rates by 100-200 bps later this month.

▶ **Chart 1: Brent crude oil price** (\$/bbl)



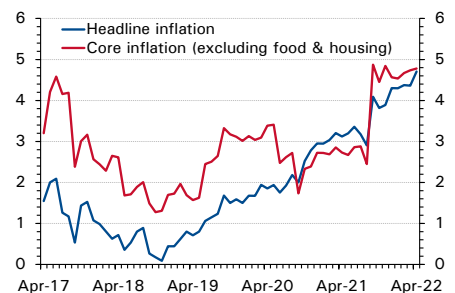
Source: Refinitiv

▶ **Chart 2: US unemployment rate** (%)



Source: Refinitiv

▶ **Chart 3: Kuwait inflation** (% y/y)



Source: CSB

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,090	2.2	-17.2
DAX	14,460	0.0	-9.0
DJIA	32,900	-0.9	-9.5
Eurostoxx 50	3,784	-0.7	-12.0
FTSE 100	7,533	-0.7	2.0
Nikkei 225	27,762	3.7	-3.6
S&P 500	4,109	-1.2	-13.8
<b>Regional</b>			
Abu Dhabi SM	9,837	1.5	15.9
Bahrain ASI	1,907	0.7	6.1
Dubai FM	3,387	2.7	6.0
Egypt EGX 30	10,008	-1.9	-16.2
MSCI GCC	810	1.1	9.9
Kuwait SE	7,765	1.7	10.3
KSA Tadawul	12,605	0.6	11.7
Muscat SM 30	4,132	0.6	0.1
Qatar Exchange	12,800	-0.2	10.1

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	2.94	19.7	142.9
Bunds 10 Year	1.27	30.7	144.9
Gilts 10 Year	2.15	23.9	118.2
JGB 10 Year	0.24	0.6	16.5
<b>Regional</b>			
Abu Dhabi 2027	3.19	14.1	48.0
Oman 2027	5.37	6.0	-74.8
Qatar 2026	3.23	2.3	52.3
Kuwait 2027	3.17	3.3	38.3
Saudi Arabia 2028	3.46	10.7	31.6
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	119.7	0.2	53.9
KEC	116.5	-4.2	47.3
WTI	118.9	3.3	58.1
Gold	1845.4	-0.3	1.0

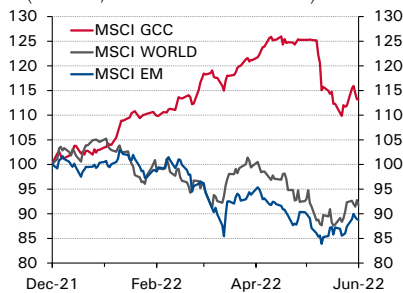
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.75	9.0	123.2
Kibor - 3 month	1.94	6.3	43.8
Qibor - 3 month	1.15	0.0	2.5
Eibor - 3 month	1.72	8.8	135.3
Saibor - 3 month	2.90	-12.8	199.3
Libor - 3 month	1.63	2.8	141.7
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	0.3	1.4
KWD per EUR	0.328	-3.4	-3.4
USD per EUR	1.072	-0.1	-5.7
JPY per USD	130.9	3.0	13.7
USD per GBP	1.249	-1.0	-7.7
EGP per USD	18.60	0.1	18.8

Updated on 3/6/2022

Source: Refinitiv

### International equity markets

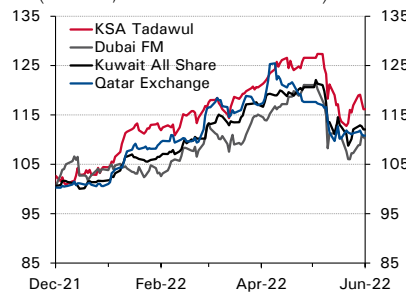
(rebased, 3 December 2021=100)



Source: Refinitiv

### GCC equity markets

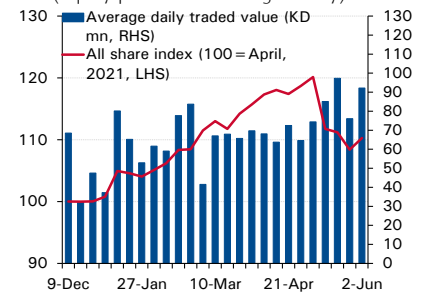
(rebased, 3 December 2021=100)



Source: Refinitiv

### Bursa Kuwait

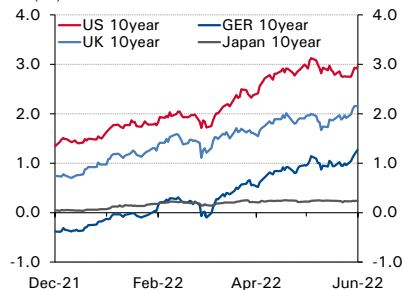
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

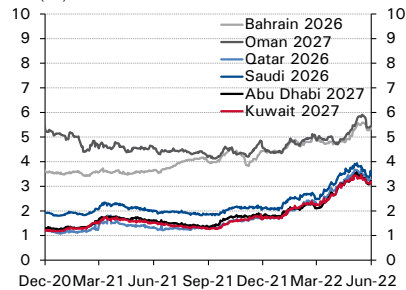
(%)



Source: Refinitiv

### GCC bond yields

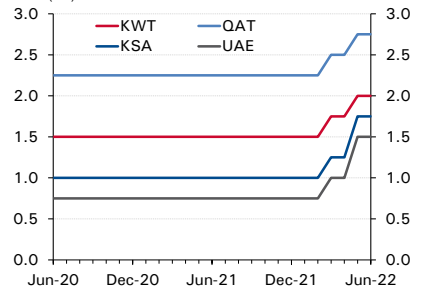
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv