

### International and markets

**US:** The Fed will meet on 25-26 January and a hike in rates is not expected given ongoing asset purchases, but it is almost certain in the upcoming March meeting. Meanwhile, housing starts for December increased by 1.4% m/m to an annual rate of 1.7 million, easily beating expectations. So did housing permits, which soared by 9% m/m with that solid growth possibly linked to the desire to secure mortgages in anticipation of much higher rates going forward. Finally, new weekly jobless claims came much higher than expected, increasing for the third straight week to reach 286K. Claims had stabilized in a 190-210K range during December with the recent surge is likely linked to the Omicron spread.

**Europe:** Minutes from the ECB's December meeting show divisions among policy setters about how quickly price pressures would fade, although agreement that a slower pace of policy tightening than in the US was still justified. In the UK, inflation hit a 30-year high of 5.4% y/y in December (5.1% in November) on rising energy costs, strong demand and supply chain issues. Meanwhile unemployment fell to 4.1% in the 3 months to November (-0.4% points q/q) and job vacancies surged to record levels, signaling a tight labor market. The government announced that most Covid restrictions would be removed from later this week, including work from home guidance.

**China:** The economy grew 8.1% in 2021 with 4Q21 GDP growth beating expectations at 4% y/y, bringing the rate well above the government's target of 6% for the year. Still, the central bank has cut rates including the one and five year prime rates by 10 and 5 bps to 3.7% and 4.6%, respectively, to boost growth.

**Financial markets:** Global equities saw the sharpest declines since the onset of the pandemic as weaker earnings and US rate hike prospects dented confidence. The MSCI AC World fell 4.1% w/w led by a 5.7% decline in the S&P500. In contrast, the MSCI GCC rose 1.6% w/w with Saudi (1.8%) and Abu Dhabi (3%) extending gains, but Kuwait's All-Share (-0.3%) little changed.

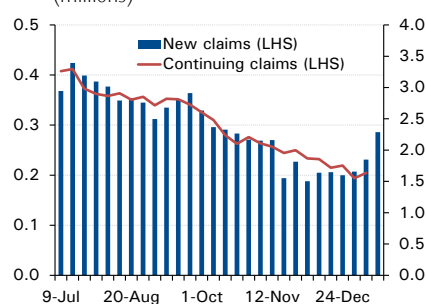
**Oil:** Brent posted its fifth weekly gain on Friday, closing at \$87.9/bbl (+2.1% w/w; +13% mtd) after having set a new post-2014 high on supply concerns and resilient demand. The International Energy Agency (IEA) upgraded its global demand forecast for both 2021 and 2022 by 200 kb/d to 5.5 mb/d and 3.3 mb/d, respectively. The IEA also sees a tighter market in 2022 due to oil supply shortfalls.

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



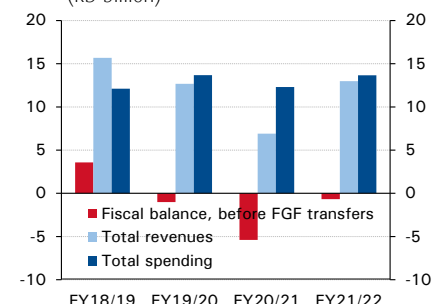
Source: Refinitiv

▶ **Chart 2: US jobless claims**  
(millions)



Source: Refinitiv

▶ **Chart 3: Kuwait 9M budget deficit**  
(KD billion)



Source: MoF

### MENA Region

**Kuwait:** The fiscal deficit narrowed to KD0.7bn in the first nine months of FY21/22, or 2.1% of pro-rated GDP, compared to KD5.4bn during the same period in FY20/21. This was mainly due to a 96% increase in oil revenues (to KD11.5bn) on higher oil prices. Expenditures reached KD13.7bn, increasing by 11.1% y/y on higher current spending, while capex remained weak at 40% of full year budget provisions (+22% y/y). Meanwhile, media reports suggest the government is targeting a 5% cut in its spending in the FY22/23 budget. Finally, consumer spending surged in 2021, increasing by 37% y/y to a record high of KD28.2 billion (Knet data), signaling robust demand.

**Saudi Arabia:** The Saudi Export Development authority is targeting non-oil exports to reach 50% of non-oil GDP by 2030. While non-oil exports have hit record highs, surging by 33% in 10M2021, their share of non-oil GDP is still around 13%.

**Qatar:** CPI inflation rose to a 13-year high of 6.5% y/y in December (from 6.1% Y/Y in Nov.), with the recreation and transport components (26% of basket) recording the sharpest increases, bringing the average inflation rate for 2021 to 2.3% y/y. Excluding housing (-2.7%), inflation soared by 8.8% y/y.

**Egypt:** The government increased minimum wages in the public sector by 13% to EP 2,700 a month for FY22/23 starting July. The government achieved a fiscal surplus of EP3.2billion during the first 6M in FY21/22 as revenues rose by 10.3%. It is targeting overall deficit of 6.6% of GDP and a surplus in the primary balance at 1.5% of GDP, respectively, in FY21/22.

#### Key takeaways:

- UK inflation is set to rise further and could reach above 6% in April when utility costs are scheduled to rise sharply. Worried about inflation's possible persistence this year, the Bank of England is set to hike interest rates again in early February, which will add to the squeeze on household incomes.
- Oil price expectations for 2022 have changed dramatically in recent weeks, with markets pricing in much tighter fundamentals based on supply shortages and robust demand. Talk of oil at \$100/bbl amid dwindling OPEC+ spare capacity has increased after prices topped \$88 last week.
- Kuwait's improving fiscal performance is due mainly to higher oil prices as expenditures continued to rise despite government efforts to curb spending. The deficit is expected to narrow to 9% of GDP in FY21/22 from 33% of GDP last year.

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,779	1.1	-3.3
DAX	15,604	-1.8	-1.8
DJIA	34,265	-4.6	-5.7
Eurostoxx 50	4,230	-1.0	-1.6
FTSE 100	7,494	-0.6	1.5
Nikkei 225	27,522	-2.1	-4.4
S&P 500	4,398	-5.7	-7.7
<b>Regional</b>			
Abu Dhabi SM	8,706	3.3	2.6
Bahrain ASI	1,813	0.5	0.9
Dubai FM	3,210	0.3	0.4
Egypt EGX 30	11,732	-2.3	-1.8
MSCI GCC	793	1.8	7.6
Kuwait SE	7,364	-0.3	4.6
KSA Tadawul	12,291	1.8	8.9
Muscat SM 30	4,236	-0.7	2.6
Qatar Exchange	12,512	1.6	7.6

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.77	-2.3	25.9
Bunds 10 Year	-0.06	-1.1	11.9
Gilts 10 Year	1.17	2.0	19.8
JGB 10 Year	0.13	-1.6	6.4
<b>Regional</b>			
Abu Dhabi 2027	2.08	3.8	48.0
Oman 2027	4.76	8.0	-74.8
Qatar 2026	2.00	5.5	52.3
Kuwait 2027	2.10	8.5	38.3
Saudi Arabia 2028	2.50	5.8	31.6
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	87.9	2.1	13.0
KEC	88.0	2.6	11.3
WTI	85.1	1.6	13.2
Gold	1831.8	0.8	0.2

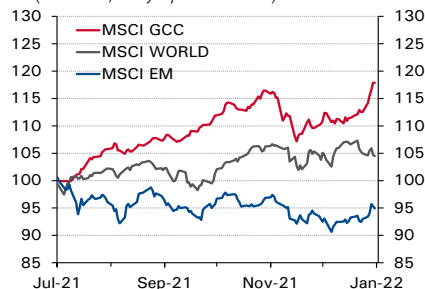
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	1.57	5.0	5.0
Kibor - 3 month	1.50	0.0	0.0
Qibor - 3 month	1.15	0.0	2.5
Eibor - 3 month	0.41	1.6	4.9
Saibor - 3 month	0.95	2.7	4.4
Libor - 3 month	0.26	1.6	4.9
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.302	0.1	-0.1
KWD per EUR	0.340	0.0	0.0
USD per EUR	1.134	-0.6	-0.2
JPY per USD	113.7	-0.5	-1.2
USD per GBP	1.355	-0.9	0.2
EGP per USD	15.67	0.2	0.1

Updated on 21/1/2022

Source: Refinitiv

### International equity markets

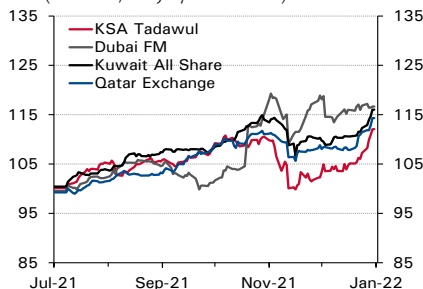
(rebased, 22 July 2021=100)



Source: Refinitiv

### GCC equity markets

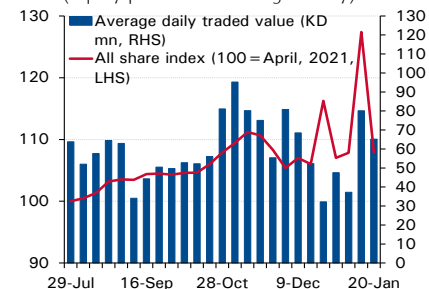
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Source: Refinitiv

### Boursa Kuwait

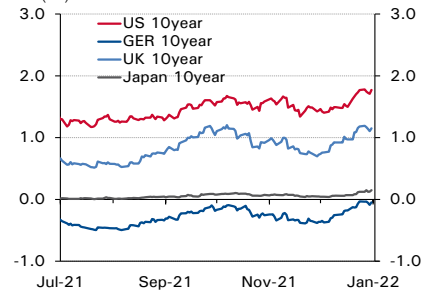
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

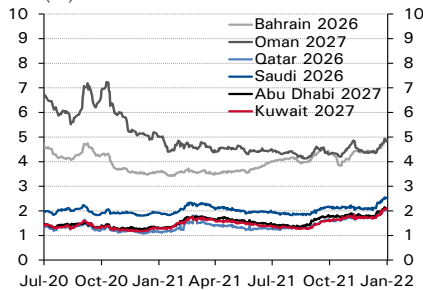
(%)



Source: Refinitiv

### GCC bond yields

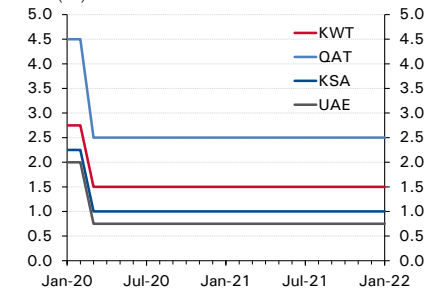
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv