

International and markets

US: The minutes of the Fed's November meeting showed that a "substantial majority" of committee members judged that a slowing in the pace of rate increases (from 75 bps increments) would likely be appropriate soon. In addition, there was "wide agreement" that the high uncertainty regarding the outlooks for inflation and growth underscored the importance of taking into account the cumulative tightening of monetary policy and the lags with which monetary policy affects the economy. Meanwhile, inflation expectations (as per the University of Michigan surveys) seem to be relatively well-anchored, with the year-ahead inflation expectation inching down to 4.9%, while the long-run expectation ticking up marginally to 3%, both at the same level compared to one year before. Finally, new weekly jobless claims increased to 240k (from 223k the week before), which is the highest level since mid-August.

Europe: The five-month contraction in the Eurozone's business activity unexpectedly eased in November; the composite PMI came in at 47.8 versus 47.3 in October on falling new orders but with abating pricing pressures, driven by an uptick in manufacturing (47.3 from 46.4) while services remained flat (48.6). Meanwhile, the European Commission's index for consumer confidence improved to -23.9, a five-month high, from -27.5 in October. Finally, the UK's composite PMI remained near its 21-month low at 48.3, slightly up from 48.2, with manufacturing and services unchanged at 46.2 and 48.8, respectively, as new orders fell and hiring slowed, but both input and output prices softened.

Japan: Core inflation reached its highest level in 40 years at 3.6% y/y in October (staying above 2% for the seventh straight month), on the back of a weak yen and imported cost pressures.

Financial markets: Global equity markets were broadly up last week (MSCI ACWI +1.3%) after the FOMC minutes showed a majority of Fed officials favoring slower rate hikes; however, emerging markets fell 0.5%. GCC equities were mostly lower (MSCI GCC -1.5% w/w) on a sustained fall in oil prices, led by Qatar (-2.8%) while Kuwait was broadly flat (-0.3%).

Oil: Brent dropped for a third consecutive week, falling to its lowest since January at \$83.6/bbl (-4.6% w/w; +7.5% ytd) amid EU member disagreements over the Russia oil cap level and as China grapples with record Covid-19 infections that imperil its economic and oil demand outlook.

MENA Region

Kuwait: Inflation ticked up in October (+3.3% y/y compared to 3.2% in Sept) for the first time since April, driven largely by ongoing price increases in the food & beverages (+6.6%) and clothing & footwear (+5.3% y/y) categories. Meanwhile, the government's four-year work program, which includes proposals for economic, fiscal and public sector reforms, among others, could be sent to parliament for debate this week.

KSA: Non-oil exports increased by 13% y/y in 3Q2022, while imports expanded by a higher 25%. However, for 9M2022, growth in non-oil exports (+25%) remains stronger than the increase in imports (+20%), in line with last year's trend.

UAE: The Prime Minister announced the launch of the government's vision "We the UAE 2031", aiming at doubling GDP to AED3 trillion, increasing non-oil exports to AED800bn, and raising the tourism sector's GDP contribution to AED450bn.

Oman: The annual inflation rate inched up for the first time in four months to 2.4% (+0.8% m/m) in October, mainly on higher food prices (+4.6% y/y, +1.1% m/m).

Egypt: The Central Bank of Egypt's subsidized loans scheme to the industrial sector (with loans estimated at EGP300bn at an 8% interest rate) will be discontinued, while subsidized loans offered to other sectors such as Tourism and Housing will now be handled by the Ministry of Finance.

Key takeaways:

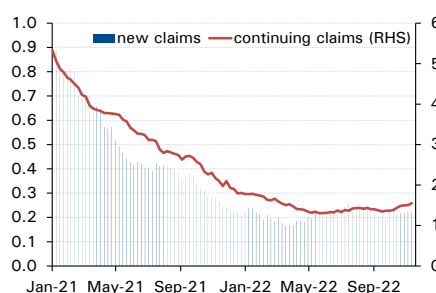
- Market expectations (76% likelihood for a 50 bps hike in the Fed's December meeting) seem broadly in sync with the FOMC committee members' views. As long as the CPI report for November does not deliver a major negative surprise, we think a 50 bps hike in December is highly likely.
- Although the Eurozone seems to be in a recession, a severe downturn next year could possibly still be avoided, supported by a potentially milder winter and weakening inflationary pressures amid softer energy prices and a stronger euro.
- Despite the 40-year high core inflation and around 20% YTD depreciation in the yen against the USD, the BOJ is keeping long-term interest rates around zero in a pledge to maintain monetary stimulus to achieve a sustainable level of inflation.
- In Egypt, 60% to 80% of local currency debt for industrials falls under the 8% interest rate initiative. Discontinuing this initiative will result in an increase in the interest burden for industrials, negatively impacting their margins and possibly increasing inflationary pressures in the short term.

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



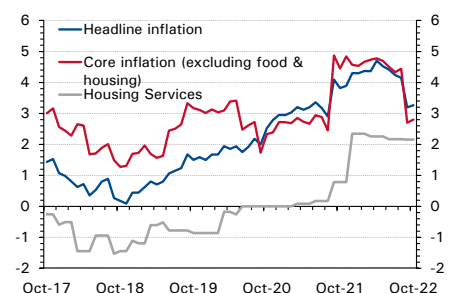
Source: Refinitiv

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



Source: Haver

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



Source: Haver

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,776	-0.7	-23.6
DAX	14,541	0.8	-8.5
DJIA	34,347	1.8	-5.5
Eurostoxx 50	3,962	1.0	-7.8
FTSE 100	7,487	1.4	1.4
Nikkei 225	28,283	1.4	-1.8
S&P 500	4,026	1.5	-15.5
Regional			
Abu Dhabi SM	10,528	0.6	24.0
Bahrain ASI	1,863	-0.1	3.7
Dubai FM	3,305	-1.4	3.4
Egypt EGX 30	12,779	2.1	6.9
MSCI GCC	728	-1.5	-1.3
Kuwait SE	7,587	-0.3	7.7
KSA Tadawul	10,939	-1.8	-3.0
Muscat SM 30	4,555	1.5	10.3
Qatar Exchange	11,867	-2.8	2.1

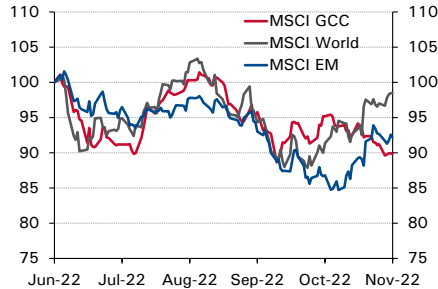
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.70	-11.6	219.0
Bunds 10 Year	1.97	-4.9	214.8
Gilts 10 Year	3.12	-11.7	214.7
JGB 10 Year	0.25	0.5	18.0
Regional			
Abu Dhabi 2027	4.05	-18.1	126.8
Oman 2027	5.98	-3.1	36.1
Qatar 2026	4.37	-24.8	150.4
Kuwait 2027	4.62	-3.6	169.4
Saudi Arabia 2028	4.69	-10.3	122.0
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	83.6	-4.6	7.5
KEC	84.8	-3.9	7.3
WTI	76.3	-4.7	1.4
Gold	1753.3	0.1	-4.1

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	5.77	-5.3	425.5
Kibor - 3 month	4.00	0.0	250.0
Qibor - 3 month	4.88	1.7	375.8
Eibor - 3 month	4.45	1.8	408.3
Saibor - 3 month	5.50	-0.3	459.8
Libor - 3 month	4.73	6.9	452.5
Sofr - 3 month	4.41	14.2	432.0
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	0.0	1.8
KWD per EUR	0.320	-0.1	-7.1
USD per EUR	1.040	0.7	-8.6
JPY per USD	139.1	-0.9	20.9
USD per GBP	1.209	1.8	-10.6
EGP per USD	24.57	0.2	56.9

Updated on 25/11/2022 Source: Refinitiv

International equity markets

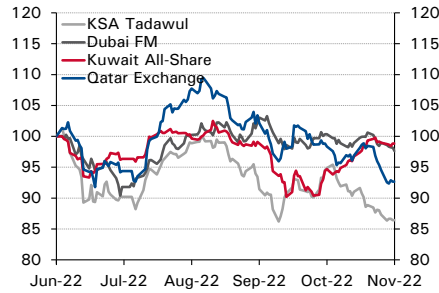
(rebased, 3 June 2022=100)



Source: Refinitiv

GCC equity markets

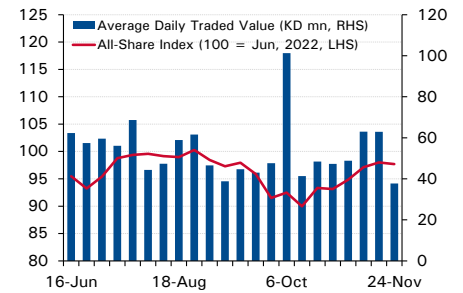
(rebased, 2 June 2022=100)



Source: Refinitiv

Boursa Kuwait

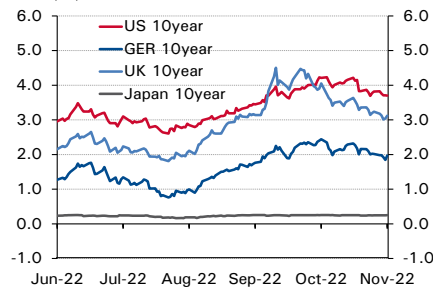
(equity prices and trading activity)



Source: Refinitiv

International bond yields

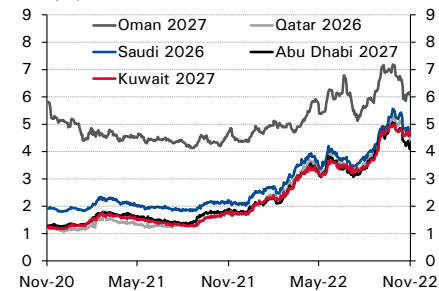
(%)



Source: Refinitiv

GCC bond yields

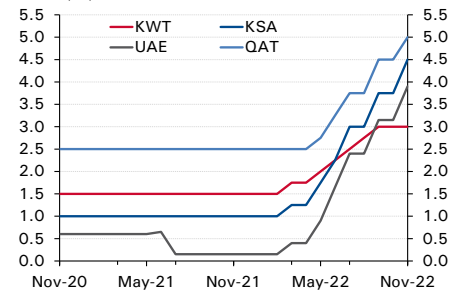
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv