

### International and markets

**US:** Existing home sales dropped by 5.4% m/m in June, the fifth straight month of decrease. High prices and rising mortgage rates have been taking a toll on existing home sales, which were 14% lower than a year ago in June. Meanwhile, initial unemployment claims increased to a higher-than-expected 251K for the week ending 16 July. This is the third consecutive weekly increase for initial claims, which have been trending up after hitting a trough in late March-early April, reflecting some easing in the labor market. Meanwhile, the index of leading economic indicators dropped by a more-than-expected 0.8% m/m in June, its fourth straight decline, while May was revised lower to -0.6%.

**Europe:** In response to raging inflation of 8.6%, the ECB raised interest rates by a larger-than-expected 50 bps, the first hike since 2011 and pushing the deposit rate to 0%. The bank also outlined a new 'Transmission Protection Instrument' aimed at preventing a widening of peripheral country bond spreads, via potentially unlimited purchases of bonds without affecting the overall size of the ECB's balance sheet. The move came as the flash PMI for July slumped to 49.4, signaling a strong possibility of recession in the region. Meanwhile UK foreign secretary Liz Truss emerged as the favorite to replace outgoing PM Boris Johnson, promising near-term tax cuts of 1% of GDP if elected.

**China:** The People's Bank of China kept interest rates steady in its monthly meeting as uncertainty over rising inflation and rate hikes overseas limit domestic policy easing. Meanwhile, nationwide boycotts of mortgage payments on unfinished houses picked up steam, prompting local authorities to urge banks to increase lending to developers in fear of default.

**Financial markets:** Global equities rallied amid optimism over the earnings season and growing speculation markets may have bottomed out. The S&P500 and DJIA gained 2.5% and 2.0% w/w respectively, while the Euro Stoxx 50 rose by 3.4%. The US 10-year treasury yield fell 15 bps w/w to a 2-week low of 2.78% amid weak data and the ECB rate hike. GCC markets outperformed with the MSCI GCC surging by 7.2% w/w, lifted by Saudi Arabia (7.4%) while Kuwait gained 4.2%.

**Oil:** Brent notched its first weekly gain in six, closing at \$103.2/bbl (+2% w/w; 32.7% ytd) on tightness in oil markets and a weaker dollar. However, the commodity pared some of its gains after the EU said it would allow Russian state-owned companies to ship to third countries, potentially easing some

supply tightness. Furthermore, US data showed a larger-than-expected stock buildup and slight drop in gasoline demand.

### MENA Region

**Kuwait:** A Reuter's poll estimated that Kuwait's GDP growth could reach 7% in 2022. Meanwhile, real estate sales declined to KD350 million (-4.1% y/y) in June on lower residential activity (-38% y/y). On the other hand, sales in the investment and commercial sectors saw a significant increase by 104% and 259% y/y, respectively.

**UAE:** The central bank estimated growth at 8.2% y/y in 1Q2022 on a 13% increase in the oil sector, while non-oil growth was estimated at 6%, benefiting from easing travel restrictions and Expo 2020. Domestic credit in March rose by 3.1% y/y (versus 1% in February) on stronger growth to the private sector (+2.5%) and GREs (+23%) while lending to the government fell by 10.2%. Dubai issued 45,653 new business licenses in 1H22 (+25% y/y), reflecting strong business sentiment.

**Egypt:** According to the Ministry of Planning, economic growth is projected at 5.5% in FY22/23 with the unemployment rate seen below 7.3% and public investment rising by 15.2% (LE1.4 trillion). Suez Canal revenues increased by 45% y/y last May to LE12 billion despite the repercussions of the Ukrainian war. The state is moving forward with the EGX listing of military-owned companies starting with the National Company for Producing and Bottling Water (Safi) and Wataniya Petroleum after the cabinet approved the pre-listing procedures.

### Key takeaways:

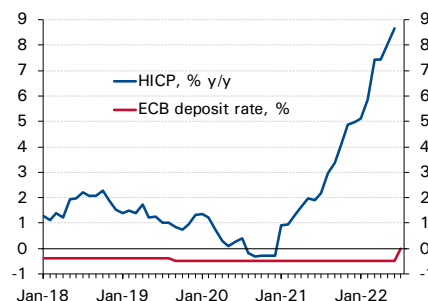
- Weakness in the index of leading economic indicators in the US is further evidence that the economy is losing steam, with increasing odds of a recession though that might turn out to be a brief and mild one. Still, the Fed is expected to forge ahead with a 75bps rate hike this week to help tame inflation.
- The ECB's new bond purchase mechanism could soon be needed to contain the rise in Italian bond yields, given the potential destabilization caused by PM Draghi's resignation. But markets could remain on edge until details are revealed over the TPI's activation triggers, objectives and conditions of use.
- Although broadly steady in June, Kuwait's real estate sales were very solid in 2Q22 overall, despite tighter monetary policy through the quarter. Underlying data show a continued rotation of sales away from a peaking residential sector, with the investment and commercial sectors gaining traction following a prolonged period of weakness.

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



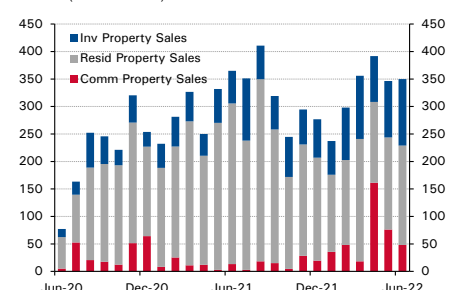
Source: Refinitiv

► **Chart 2: Inflation & ECB deposit rate**



Source: Haver

► **Chart 3: Kuwait Real estate sales**  
(KD million)



Source: Ministry of Justice

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,238	-0.2	-14.2
DAX	13,254	3.0	-16.6
DJIA	31,899	2.0	-12.2
Eurostoxx 50	3,596	3.4	-16.3
FTSE 100	7,276	1.6	-1.5
Nikkei 225	27,915	4.2	-3.0
S&P 500	3,962	2.5	-16.9
<b>Regional</b>			
Abu Dhabi SM	9,662	4.5	13.8
Bahrain ASI	1,873	1.3	4.2
Dubai FM	3,257	3.1	1.9
Egypt EGX 30	9,290	6.0	-22.3
MSCI GCC	781	7.2	6.0
Kuwait SE	7,671	4.2	8.9
KSA Tadawul	11,988	7.4	6.3
Muscat SM 30	4,291	3.6	3.9
Qatar Exchange	12,709	7.1	9.3

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	2.78	-14.9	126.9
Bunds 10 Year	1.02	-10.5	120.2
Gilts 10 Year	1.94	-14.9	96.9
JGB 10 Year	0.22	-1.5	14.9
<b>Regional</b>			
Abu Dhabi 2027	3.21	-19.4	48.0
Oman 2027	6.00	-67.5	-74.8
Qatar 2026	3.38	-10.0	52.3
Kuwait 2027	3.37	-12.0	38.3
Saudi Arabia 2028	3.58	-13.6	31.6
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	103.2	2.0	32.7
KEC	108.9	4.2	37.8
WTI	94.7	-3.0	25.9
Gold	1727.1	1.5	-5.5

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	4.02	31.3	250.8
Kibor - 3 month	2.13	0.0	62.5
Qibor - 3 month	2.45	0.0	132.5
Eibor - 3 month	2.51	29.2	214.5
Saibor - 3 month	2.91	7.4	200.3
Libor - 3 month	2.77	2.9	255.7
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	-0.2	1.6
KWD per EUR	0.313	0.8	-8.9
USD per EUR	1.021	1.2	-10.2
JPY per USD	136.1	-1.8	18.2
USD per GBP	1.200	1.3	-11.3
EGP per USD	18.87	0.1	20.5

Updated on 22/7/2022

Source: Refinitiv

### International equity markets

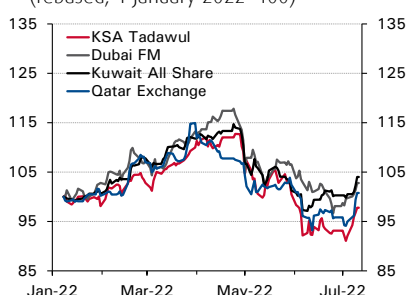
(rebased, 1 January 2022=100)



Source: Refinitiv

### GCC equity markets

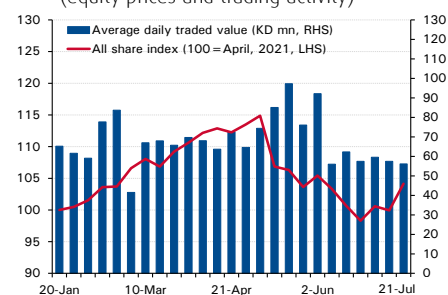
(rebased, 1 January 2022=100)



Source: Refinitiv

### Boursa Kuwait

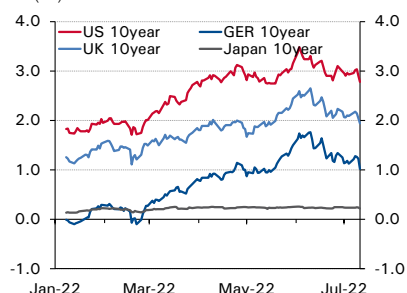
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

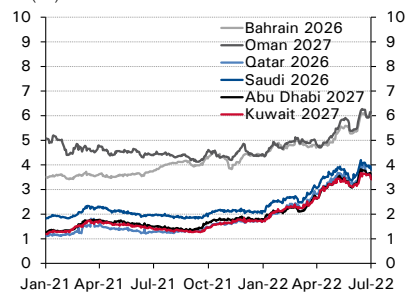
(%)



Source: Refinitiv

### GCC bond yields

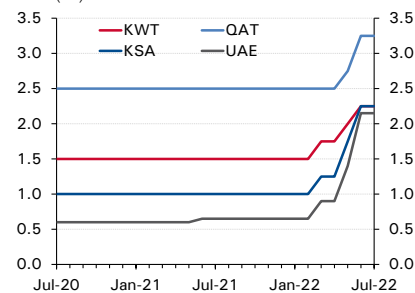
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv