

International and markets

US: Minutes of the Fed's May 4 meeting revealed that "most participants" judged that rate hikes of 50 bps would likely be appropriate at the next couple of meetings. The Fed's preferred inflation gauge, the core PCE, edged down in April to 4.9% y/y (+0.3% m/m) from 5.2% in March, in line with expectations. The headline rate softened to 6.3% y/y from 6.6% the month before. Meanwhile, the second estimate of 1Q22 GDP growth stood at an annualized -1.5% q/q, slightly worse than the initial estimate of -1.4%, but with personal consumption holding up well at +3.1%. Finally, new home sales tumbled by 17% m/m in April (-27% y/y) to hit the lowest level in two years, adversely affected by higher mortgage rates and ongoing price increases.

Europe: UK Chancellor Rishi Sunak announced support for households worth GBP15 billion or 0.6% of GDP to help offset pressure from surging energy bills. The measures will be partly paid for by a temporary 'windfall' tax on the profits of energy firms, set to last until 2025 or until energy prices fall back. This came as the UK flash PMI fell sharply to 51.8 in May (58.2 April), as high inflation and geopolitical uncertainty bit into demand for services. The Eurozone PMI reading also fell in May but by less, and to a level still consistent with reasonable growth, at 54.9.

China: The authorities announced a 33-point stimulus package of tax cuts, rebates (total planned tax reduction of RMB2.64 trillion) and bond issuance worth \$45bn for railway construction in order to boost economic activity. Meanwhile, the government began lifting Covid restrictions in Shanghai last Wednesday amid falling cases.

Financial markets: Global stocks broke a multi-week losing streak last week, with global equity funds seeing their largest inflows in ten weeks likely due to reallocations by institutional investors. The MSCI ACWI gained 4.6% w/w, led by the S&P 500 (+6.6%). The US 10-year treasury yield fell 5 bps w/w to 2.74%, its lowest in over a month. Emerging markets were little changed. The MSCI GCC fell 0.3% w/w led by Dubai (-2.8%) and Kuwait (-2.5%) on slowing global growth and hawkish monetary policy concerns.

Oil: Brent posted a second week of gains on Friday to close at its highest level since late March at \$119.4/bbl (+6.1% w/w; +53.5% ytd). Tight crude and gasoline inventories ahead of the peak summer oil demand season in the US was the primary catalyst, while news that Iran had seized two Greek-flagged oil tankers in the Arabian Gulf also upped the risk premium.

MENA Region

Kuwait: Rating agency Moody's affirmed Kuwait's credit rating at A1 with a stable outlook, citing the state's strong balance sheet and fiscal buffers. The agency acknowledged that the prospects for economic and fiscal reforms were limited by the challenging political situation, though.

Saudi Arabia: The Minister of Finance expects GDP growth to hit 7.4% in 2022 and inflation to range between 2.1-2.3% by end-2022. Meanwhile, non-oil exports increased by 29% y/y in 1Q22 following a strong 36% expansion in 2021. Imports grew by a much smaller 12% in 1Q22.

Qatar: Inflation accelerated for the second consecutive month in April, to 4.7% from 4.2% in March. This is the fastest rate since December and due largely to higher prices in the recreation and culture, miscellaneous goods and services, housing, and food and beverage components.

Egypt: Moody's lowered its outlook for Egypt's B2 credit rating to negative from stable, with the country's first rating downgrade since 2013 a possibility due to concerns over thinning foreign currency buffers and potentially growing socio-political risk stemming from high inflation. Meanwhile, the finance minister announced that the new IMF deal can be finalized within the next two months.

Key takeaways:

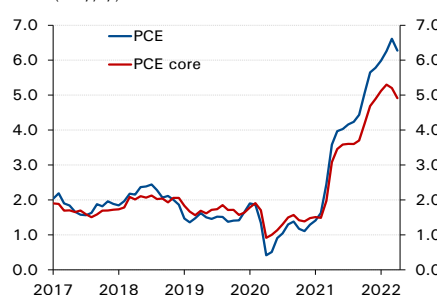
- While US core PCE inflation has edged down for two straight months now, the Fed is looking for more data to corroborate the view that inflation may have peaked, a pre-condition for the central bank to soften its hawkish stance.
- The UK government's cut to household energy bills should lower the peak Q4 inflation rate previously expected at 10%+. More material for monetary policy, however, is the sharp drop in the PMI which signals near-stagnating output, increasing the likelihood of a pause in rate hikes following the 25bp increases expected at each of the next two BoE policy meetings.
- Oil prices finally moved above their recent range on the increasingly constrained supply picture, with inventories tight ahead of the US and northern hemisphere driving season. EU sanctions on Russia's oil exports will impart more upward pressure on oil prices.
- While the economic crisis in Egypt is putting pressure on the government and making it harder to borrow money, the new IMF deal and announced reform measures to attract FDI that will come into play in 2H22 will support the economic outlook.

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



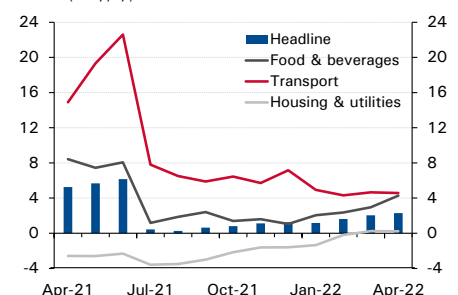
Source: Refinitiv

▶ **Chart 2: US inflation**
(% y/y)



Source: Refinitiv

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



Source: Refinitiv

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,001	-1.9	-19.0
DAX	14,462	3.4	-9.0
DJIA	33,213	6.2	-8.6
Eurostoxx 50	3,809	4.2	-11.4
FTSE 100	7,585	2.6	2.7
Nikkei 225	26,782	0.2	-7.0
S&P 500	4,158	6.6	-12.8
Regional			
Abu Dhabi SM	9,689	-2.5	14.1
Bahrain ASI	1,894	-1.5	5.4
Dubai FM	3,297	-2.8	3.2
Egypt EGX 30	10,201	-3.3	-14.6
MSCI GCC	801	-0.3	8.7
Kuwait SE	7,632	-2.5	8.4
KSA Tadawul	12,530	0.8	11.1
Muscat SM 30	4,107	-1.2	-0.6
Qatar Exchange	12,829	0.8	10.3

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.74	-4.5	123.1
Bunds 10 Year	0.96	2.1	114.2
Gilts 10 Year	1.92	2.1	94.3
JGB 10 Year	0.23	-1.0	15.9
Regional			
Abu Dhabi 2027	3.05	-20.7	48.0
Oman 2027	5.31	-48.3	-74.8
Qatar 2026	3.20	-25.2	52.3
Kuwait 2027	3.13	-10.2	38.3
Saudi Arabia 2028	3.35	-22.7	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	119.4	6.1	53.5
KEC	121.6	3.1	53.8
WTI	115.1	1.6	53.0
Gold	1851.3	0.5	1.3

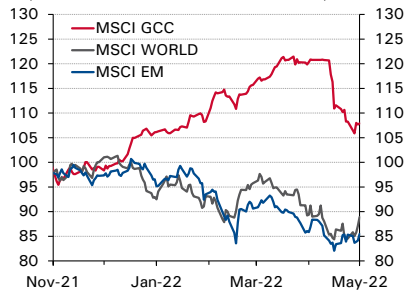
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.66	6.6	114.2
Kibor - 3 month	1.88	0.0	37.5
Qibor - 3 month	1.15	0.0	2.5
Eibor - 3 month	1.63	7.0	126.5
Saibor - 3 month	3.03	35.0	212.1
Libor - 3 month	1.60	9.1	138.9
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.305	-0.2	1.1
KWD per EUR	0.340	0.0	0.0
USD per EUR	1.073	1.6	-5.6
JPY per USD	127.1	-0.6	10.5
USD per GBP	1.262	1.0	-6.7
EGP per USD	18.58	1.8	18.6

Updated on 27/5/2022

Source: Refinitiv

International equity markets

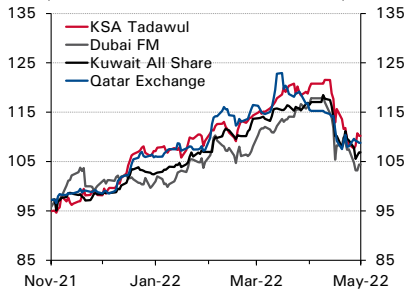
(rebased, 27 November 2021=100)



Source: Refinitiv

GCC equity markets

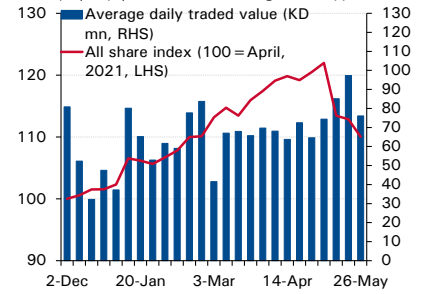
(rebased, 27 November 2021=100)



Source: Refinitiv

Bursa Kuwait

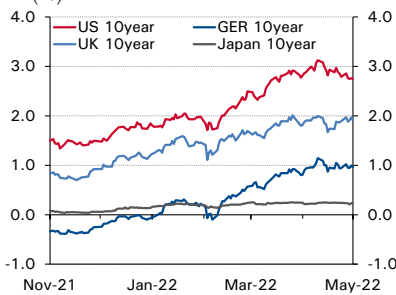
(equity prices and trading activity)



Source: Refinitiv

International bond yields

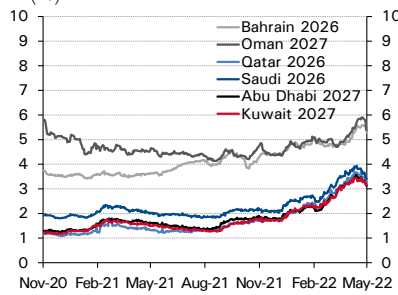
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Source: Refinitiv

GCC bond yields

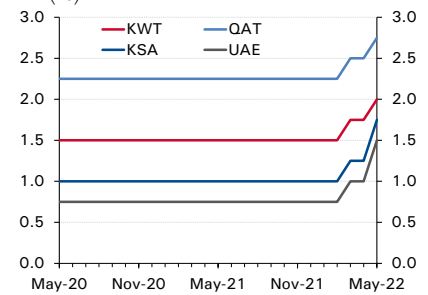
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv