

International and markets

US: Non-farm payrolls increased by a slightly lower-than-expected 431k in March, but February was revised up by 72k. The unemployment rate fell to a lower-than-expected 3.6% (3.8% in February) while labor participation edged up to 62.4%. The 3.6% unemployment rate is marginally higher than the pre-pandemic 3.5% rate of February 2020, which was the lowest in at least 30 years. A 3.5% unemployment is also what the Fed forecasts for the end of 2022 and 2023. With a 0.4% increase in February, the Fed's preferred inflation gauge, the core PCE, accelerated to 5.4% y/y (from 5.2% one month before), the highest since 1983, but broadly in line with expectations. The headline rate edged up to 6.4% from 6% the month before.

Europe: Preliminary data for March showed Eurozone inflation surged to a record level of 7.5% y/y from 5.9% in February, and well above expectations. Rising energy prices were the main driver, but the core rate also rose to a record high of 3.0%. In Germany, inflation jumped to 7.6% in March and the authorities have asked consumers to cut gas and energy consumption and outlined a potential move towards rationing if Russia decides to scale back gas supplies. The step was triggered by Russia's demand that gas payments be made in rubles rather than euros or US dollars, which G7 states have rejected.

China: The government exempted small firms from a 3% VAT tax starting April while pledging RMB1.5 trillion in VAT rebates to ease pressures as lockdowns spanned key industrial cities such as Shenzhen and Shanghai.

Financial markets: Global equities were mostly positive amid easing uncertainty surrounding the Ukraine invasion and central bank policy. The MSCI ACWI rose 0.4% w/w led by emerging markets (MSCI EM 1.7%), lifted by the CSI 300 (2.4%). US indices were little changed, ending the weakest quarter in 2 years. The MSCI GCC rose 1% w/w, led by Dubai (3.6%) on strong IPO activity. Kuwait's All-Share gained 1.3%.

Oil: Brent finished lower on Friday at \$104.4/bbl (-13.5% w/w; +34% ytd) on news that the IEA and the US would tap their strategic oil reserves to cool prices and ease oil price volatility. The US will release 1 mb/d from its strategic petroleum reserves (SPR) every day for six months, which would leave SPR levels at their lowest since 1984. OPEC+, resisting pressure to open the taps further, stuck to its monthly plan of modest output hikes, raising output by 432 kb/d from May onwards.

MENA Region

Kuwait: The IMF urged the authorities to expedite the reform process through considering the introduction of VAT, excise taxes, corporate tax on domestic firms, and property tax to boost non-oil revenues while curtailing current spending. Meanwhile, media reports said that the government revised its deficit forecast for FY21/22 to KD4 bn. Finally, inflation hit 4.4% y/y in February, up from 4.3% in January. Price rises were across the board, but food cost increases (+0.7% m/m; +7.3% y/y) continue to drive overall CPI gains. Core inflation, which excludes food and housing, stood at 4.7% y/y.

Saudi Arabia: The unemployment rate among Saudis dropped to 11% in 4Q2021 (11.3% in 3Q2021), the lowest rate in more than 10 years, while the participation rate edged up to 51.5% (49.8% in 3Q2021) with female participation rising to a record-high of 35.6%. Meanwhile, credit growth remained solid in February (+1.6%), reflecting a y/y expansion of 14.9%.

Egypt: GCC countries are ramping up their support for Egypt's economy, with Saudi Arabia depositing \$5bn at the central bank while looking at investing \$10 bn. Qatar will also invest \$5 bn, while Abu Dhabi's wealth fund has earmarked \$2 bn to buy government stakes in local companies. Meanwhile, the government lowered its growth outlook for FY21/22 to 5.7% from 6.4%, and to 5.5% for FY22/23.

Key takeaways:

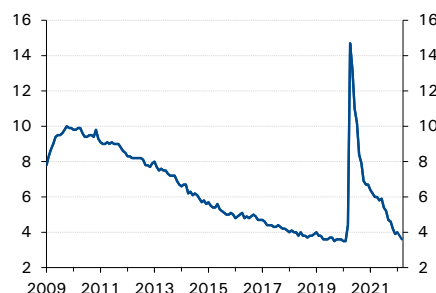
- The extremely tight job market in the US has further increased pressure on the Fed to aggressively hike rates, and commentary by many Fed officials indicates a wider willingness to hike rates by 50 bps increments, which is now expected for the May 4 meeting.
- Russia's demand that 'unfriendly countries' pay for gas in rubles has heightened worries about supply disruption in Europe. Any supply cut would hit Europe's economy, especially industry, hard. But long term, the threat is likely to accelerate Europe's shift to reduce its dependence upon Russian gas.
- The IMF's advice to Kuwait to curtail current spending and boost non-oil revenues through tax reforms is consistent with the government's action plan, though detailed time-bound measures are still lacking.
- Pressures on the Egyptian pound have eased as GCC governments have rallied to support Egypt with substantial investments. Talks on a new IMF program are also underway and will underpin these gains while mitigating the adverse effects of the war in Ukraine on the outlook.

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



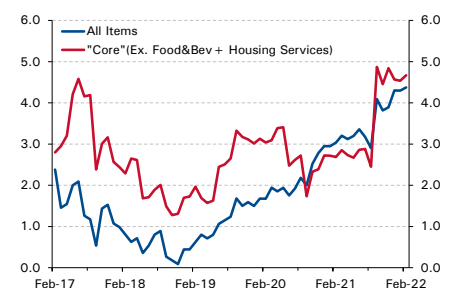
Source: Refinitiv

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



Source: Refinitiv

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



Source: CSB

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,276	2.4	-13.4
DAX	14,446	1.0	-9.1
DJIA	34,818	-0.1	-4.2
Eurostoxx 50	3,919	1.3	-8.8
FTSE 100	7,538	0.7	2.1
Nikkei 225	27,666	-1.7	-3.9
S&P 500	4,546	0.1	-4.6
Regional			
Abu Dhabi SM	9,929	1.6	17.0
Bahrain ASI	2,074	2.0	15.4
Dubai FM	3,537	3.6	10.7
Egypt EGX 30	11,238	-4.0	-5.9
MSCI GCC	868	1.0	17.7
Kuwait SE	8,147	1.3	15.7
KSA Tadawul	13,090	1.1	16.0
Muscat SM 30	4,205	-1.8	1.8
Qatar Exchange	13,533	-0.7	16.4

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.39	-9.8	87.8
Bunds 10 Year	0.57	-0.4	74.5
Gilts 10 Year	1.61	-8.4	63.9
JGB 10 Year	0.22	-2.4	14.5
Regional			
Abu Dhabi 2027	2.61	7.0	48.0
Oman 2027	4.77	-17.2	-74.8
Qatar 2026	2.80	7.4	52.3
Kuwait 2027	2.63	12.4	38.3
Saudi Arabia 2028	3.03	3.2	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	104.4	-13.5	34.2
KEC	106.2	-7.4	34.3
WTI	99.3	-12.8	32.0
Gold	1919.1	-1.8	5.0

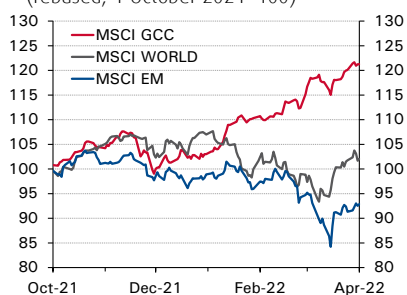
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	1.91	3.0	39.7
Kibor - 3 month	1.69	0.0	18.8
Qibor - 3 month	1.15	0.0	2.5
Eibor - 3 month	1.05	3.9	68.6
Saibor - 3 month	2.45	21.6	154.4
Libor - 3 month	0.96	-2.1	75.3
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.0	0.6
KWD per EUR	0.340	0.0	0.0
USD per EUR	1.105	0.7	-2.8
JPY per USD	122.5	0.4	6.4
USD per GBP	1.311	-0.6	-3.1
EGP per USD	18.23	-1.2	16.4

Updated on 1/4/2022

Source: Refinitiv

International equity markets

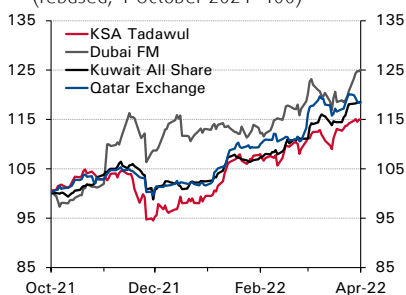
(rebased, 1 October 2021=100)



Source: Refinitiv

GCC equity markets

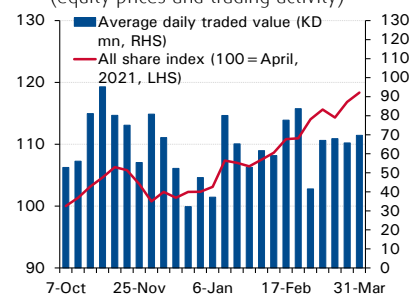
(rebased, 1 October 2021=100)



Source: Refinitiv

Bursa Kuwait

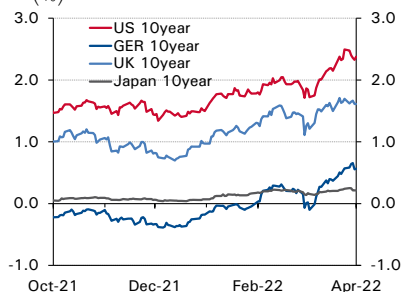
(equity prices and trading activity)



Source: Refinitiv

International bond yields

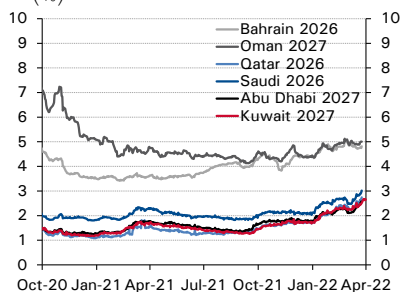
(%)



Source: Refinitiv

GCC bond yields

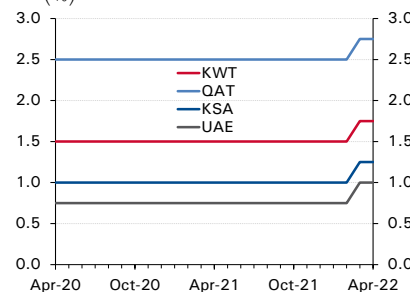
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv