

International and markets

US: Consumer price inflation accelerated to 7.9% y/y through February from 7.5% in January, the highest since January 1982. The core rate was up by 0.5% m/m in February, resulting in a 6.4% y/y increase with the goods category up 12.3% y/y and the services one advancing 4.4%. President Biden signed an executive order, banning Russian oil/oil products imports, among other measures. The US imported from Russia around 700k barrels/day of oil and refined products in 2021. The University of Michigan consumer sentiment index fell to 59.7 in March (the lowest since 2011) with worries about inflation being the main cause of the decline. Finally, Congress passed a \$1.5 trillion budget for the remainder of the current fiscal year (end-September), which includes nearly \$14 billion in aid to Ukraine.

Europe: The ECB said it would scale back its asset purchases more quickly than previously announced due to upside inflation risks, slowing purchases to €20bn/month by June rather than by end-September before. Interest rates could rise 'some time' after purchases end (perhaps) in September. The bank said the Russia-Ukraine war was a major economic shock, and raised its 2022 average inflation forecast to 5.1% from 3.2% before while lowering its growth forecast to 3.7% from 4.2%. Meanwhile, UK GDP grew by an above-consensus 0.8% m/m in January, highlighting a strong start to 2021 despite Omicron worries.

Financial markets: Global stocks were mostly negative amid escalating Russia-Ukraine war concerns. The MSCI ACWI fell 2.1% w/w led by the MSCI EM (-4.8%), while the S&P500 suffered the steepest weekly loss (-2.9%) in over a year. The MSCI GCC shed -0.5% w/w as oil prices eased, led by Dubai (-1.4%) while Kuwait's All-Share gained a solid 1.4%.

Oil: A week of intense volatility saw oil prices scale highs not seen since 2008, with Brent reaching almost \$140/bbl in intraday trading on Monday as the US and UK prepared to ban Russian oil imports. Brent was then buffeted by comments from a UAE diplomat in favor of OPEC production increases before gaining a little on Friday to \$112.7/bbl (-4.6% w/w)—the first weekly loss since Russia invaded Ukraine—on the back of news that Iran nuclear deal negotiations had been suspended. Russia had also inserted a last-minute clause requiring guarantees that its trade and investment with Iran would be unaffected by Ukraine-linked Western sanctions.

MENA Region

Kuwait: Media sources reported that the government will prioritize paying of its previous and current commitments while rebuilding liquidity in the General Reserve Fund rather than transferring 10% of the fiscal surpluses to the Future Generations Fund. In addition, sources also said that the government will not take new liquidity measures as the rise in oil prices provided enough liquidity to cover expenses, including the bonds due by end-March 2022.

UAE: Dubai's PMI inched up to 54.1 in February with Omicron pressures dissipating. Tourism and output expanded on softer pandemic health related restrictions. Sovereign wealth fund Mubadala announced that it has a limited exposure of 1.6% of its total assets (\$250 billion) to the Russian market.

Egypt: The CPI inflation rate accelerated to 8.8% y/y in February from 7.3% the previous month, driven by a 17.6% rise in food and drink costs. The ministry of finance could revisit its fiscal targets for FY22/23 (deficit at 6.1% of GDP; public debt below 90% of GDP) as the Russo-Ukrainian conflict on wheat prices has increased pressures on government subsidy spending by around EGP15 billion. On a separate note, the central bank renewed the maturity of Saudi and Kuwait deposits of \$4.3 billion until 2026, supporting international reserves.

Key takeaways:

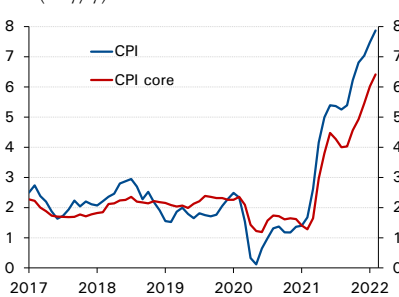
- US inflation reached its highest level in 40 years and is set to accelerate further given much higher oil (+12% month-to-date) and other commodity prices. The ban on Russian oil imports has already increased price pressures and introduced a new challenge of finding alternative supply avenues.
- The ECB's new projections highlight the stagflation risks to the Eurozone economy due to the war in Ukraine, with inflation revised up and growth down. The early end to QE suggests reducing inflation is the bank's priority, but it is also building in flexibility to delay the first rate hike if growth falters badly.
- Despite the pull back in oil prices last week, the pause in Iran nuclear discussions, even temporarily, delays a key source of near-term supply relief for an increasingly tight global oil market and could set a new floor for prices.
- Egypt's inflation is now close to the top of the central bank's 5-9% target range, and could move up given rising food and fuel prices. Together with an increasing focus on the Egyptian pound, this may push the bank to hike interest rates by a more aggressive 50-100bps in its next policy meeting on March 24.

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



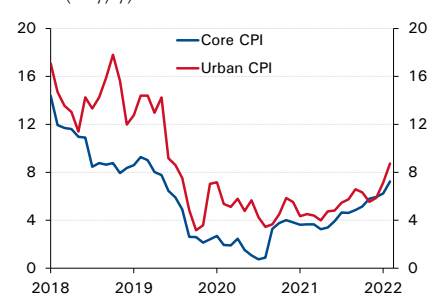
Source: Refinitiv

▶ **Chart 2: US Consumer inflation**
(% y/y)



Source: Haver

▶ **Chart 3: Egypt consumer inflation**
(% y/y)



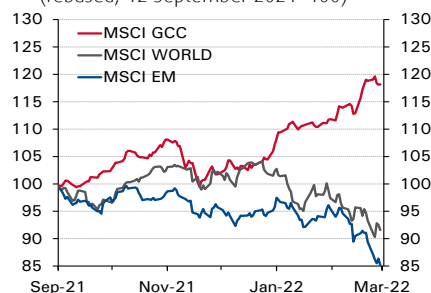
Source: Haver

Key data

Stock markets				Bond yields				Interbank rates			
Index	Change (%)	1-week		%	Change (bps)		%	Change (bps)			
		1-week	YTD		1-week	YTD		1-week	YTD		
International				International				Interbank rates			
CSI 300	4,307	-4.2	-12.8	UST 10 Year	2.00	26.0	48.5	Bhibor - 3 month	1.60	0.0	8.3
DAX	13,628	4.1	-14.2	Bunds 10 Year	0.27	37.1	44.9	Kibor - 3 month	1.50	0.0	0.0
DJIA	32,944	-2.0	-9.3	Gilts 10 Year	1.49	28.2	52.0	Qibor - 3 month	1.15	0.0	2.5
Eurostoxx 50	3,687	3.7	-14.2	JGB 10 Year	0.19	3.0	11.5	Eibor - 3 month	0.84	16.9	47.2
FTSE 100	7,156	2.4	-3.1	Regional				Saibor - 3 month	1.74	10.4	83.1
Nikkei 225	25,163	-3.2	-12.6	Abu Dhabi 2027	2.15	4.4	48.0	Libor - 3 month	0.83	21.6	61.7
S&P 500	4,204	-2.9	-11.8	Oman 2027	4.89	8.2	-74.8	Exchange rates			
Regional				Qatar 2026	2.34	10.0	52.3	KWD per USD	0.303	0.1	0.4
Abu Dhabi SM	9,636	-0.5	13.5	Kuwait 2027	2.28	3.0	38.3	KWD per EUR	0.340	0.0	0.0
Bahrain ASI	2,053	3.9	14.3	Saudi Arabia 2028	2.59	10.4	31.6	USD per EUR	1.091	-0.2	-4.0
Dubai FM	3,402	-1.4	6.5	Commodities				JPY per USD	117.3	2.2	1.9
Egypt EGX 30	10,454	-7.5	-12.5		\$/unit	Change (%)		USD per GBP	1.304	-1.4	-3.6
MSCI GCC	842	-0.5	14.2			1-week	YTD	EGP per USD	15.64	0.0	-0.1
Kuwait SE	7,958	1.4	13.0	Brent crude	112.7	-4.6	44.9	Updated on 11/3/2022			
KSA Tadawul	12,684	-0.6	12.4	KEC	113.1	1.5	43.1	Source: Refinitiv			
Muscat SM 30	4,328	4.7	4.8	WTI	109.3	-5.5	45.4				
Qatar Exchange	13,633	1.3	17.3	Gold	1982.7	0.9	8.5				

International equity markets

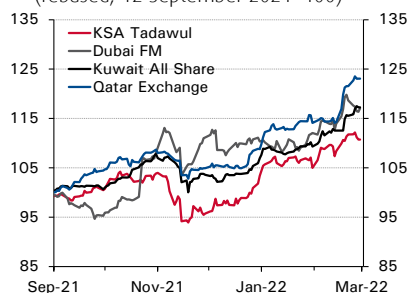
(rebased, 12 September 2021=100)



Source: Refinitiv

GCC equity markets

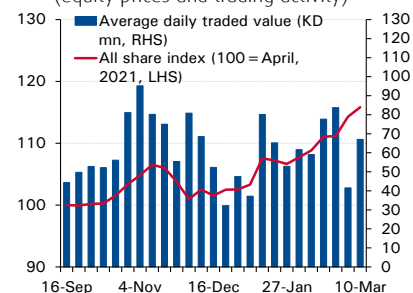
(rebased, 12 September 2021=100)



Source: Refinitiv

Bursa Kuwait

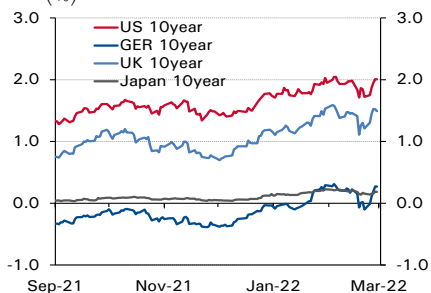
(equity prices and trading activity)



Source: Refinitiv

International bond yields

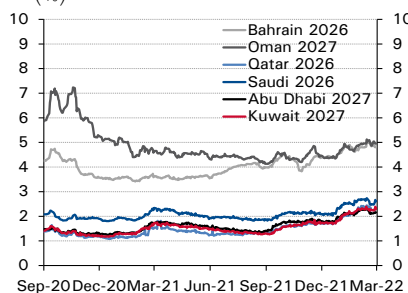
(%)



Source: Refinitiv

GCC bond yields

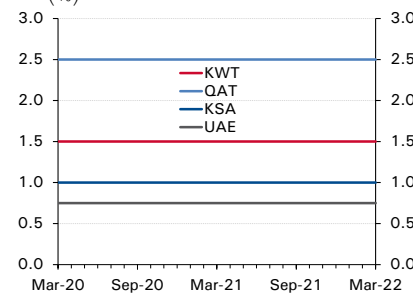
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv