

International and markets

US: The ISM services PMI in November unexpectedly improved to 56.5 from 54.4 in October, as business activities jumped to an 11-month high and employment expanded. Meanwhile, producer prices rose by a more-than-expected 0.3% m/m (+7.4% y/y) in November. The core rate accelerated to 0.4% m/m (+6.2% y/y) from 0.1% m/m in October. Finally, the University of Michigan's consumer sentiment index in December also improved unexpectedly, to 59.1 from 56.8 in November, as one-year inflation expectations eased to a 15-month low of 4.6% from 4.9% last month.

Europe: Eurozone GDP growth in 3Q22 was revised upwards to 0.3% q/q (+2.3% y/y) from 0.2% estimated earlier. October retail sales, however, fell by the most this year (-1.8% m/m) as intensifying cost-of-living pressures squeezed consumer spending. Meanwhile, in the UK, unofficial retail sales values rose 4.1% y/y in November from 1.2% in October.

Japan: GDP growth in 3Q22 was better than initially estimated, decreasing by an annualized -0.8% q/q from -1.2% q/q on an upward change in private inventories.

China: Taking their cue from the Politburo's new emphasis on economic recovery and targeted state support, the authorities announced the easing of a wide range of Covid restrictions.

Financial markets: Global equity markets were mostly negative amid recession fears and Fed policy uncertainty. Losses were led by US markets, with the S&P 500 and DJIA down 3.4% and 2.8% w/w, respectively. China's CSI 300 outperformed (+3.3% w/w) on easing Covid restrictions. The MSCI GCC fell 5% w/w amid a drop in oil prices, dragged down by Saudi Arabia (-5.3%). Kuwait lost 1.5%.

Oil: Intensifying US and global recession headwinds pushed Brent down to its lowest level in almost a year on Friday, at \$76.1/bbl (-11.1% w/w; -2.2% ytd) and its 2022 performance into negative territory. The decline came despite Russian President Putin saying Russian output could be cut in response to the G7 price cap, and the closure of the US's Keystone pipeline due to an oil leak.

MENA Region

Kuwait: The CBK raised its benchmark discount rate by 50 bps to 3.5%, the seventh rate hike since March (+200 bps cumulatively). Meanwhile, real estate sales increased in November to KD335mn (+13.8% m/m) on an uptick in residential sector activity (+4.4% y/y) to KD212mn and

continued increases in investment sales, to KD110mn (+72% y/y). Bank credit growth was steady in October (+9.1% y/y; -0.2% m/m), supported by the steepest rise in business credit in five years (+7.3% y/y) and solid, though slowing, household credit growth (+10.5%). Deposit growth was steady at 5.3%.

KSA: The non-oil private sector PMI accelerated in November to 58.5, with output at its most robust in seven years on the back of buoyant demand and rising consumer confidence. Meanwhile, the government reported a preliminary fiscal surplus this year of SAR102bn (\$27bn), or 2.6% of GDP, its first since 2013. The budget for 2023 was also approved, in which the kingdom estimates to run a surplus of SAR16bn (\$4.3bn) on expenditures of SAR1.1trn and revenues of SAR1.13trn.

UAE: The PMI fell to 54.4 in November (56.6 in Oct) amid softer global economic conditions. Meanwhile, Dubai's budget for 2023 envisages a surplus of AED1.5bn (\$400mn, +0.2% of GDP) on expenditures of AED67.5bn (+13% budget-on-budget, b/b) and revenues of AED69bn (+20% b/b).

Egypt: Business activity weakened further in November, according to the latest PMI (45.4). The EGP devaluation in October, which led to sharp rise in purchase prices, was a contributing factor. Inflation rose to 18.7% y/y from 16.2% in October. Higher food and beverage costs (+30% y/y; +4.4% m/m) were a major impulse.

Key takeaways:

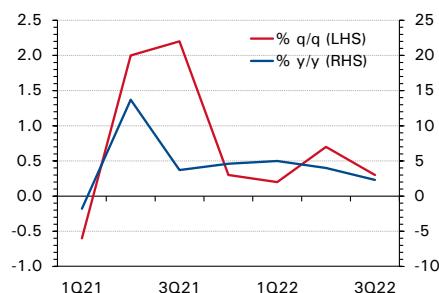
- The US Fed looks set for a 50 bps rate hike this week (and likely further smaller hikes in 2023). Last week's PMI data pointed towards a more resilient US economy and spending momentum shifting from manufacturing to services.
- Eurozone PMI and retail sales data are signaling a gradual weakening in economic activity, though with winter natural gas stocks at better-than-expected levels, the risks of a severe recession may be reduced somewhat.
- Global recession fears have driven oil prices lower, drowning out bullish oil signals including China's easing of Covid restrictions and Russia's potential supply cuts in response to the G7/EU oil price cap and embargo. The odds of an OPEC+ output cut in January will rise if oil prices stay in the mid-70s.
- In Kuwait, the central bank followed previous precedent by raising interest rates 'off-cycle' from moves by the US Fed. Rates in Kuwait have moved more gradually than those in the US this year, but as Fed tightening slows, Kuwait's rate moves may align more closely with those in the US going forward.

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



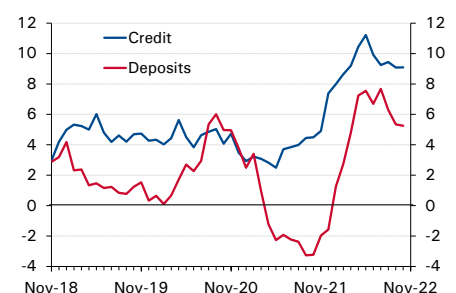
Source: Refinitiv

▶ **Chart 2: Eurozone GDP growth**
(%)



Source: Haver

▶ **Chart 3: Kuwait credit and deposits**
(% y/y)



Source: Central Bank of Kuwait, Haver

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,998	3.3	-19.1
DAX	14,371	-1.1	-9.5
DJIA	33,476	-2.8	-7.9
Eurostoxx 50	3,943	-0.9	-8.3
FTSE 100	7,477	-1.1	1.2
Nikkei 225	27,901	0.4	-3.1
S&P 500	3,934	-3.4	-17.5
Regional			
Abu Dhabi SM	10,252	-2.9	20.8
Bahrain ASI	1,855	-0.5	3.2
Dubai FM	3,325	0.0	4.0
Egypt EGX 30	14,838	8.8	24.2
MSCI GCC	690	-5.0	-6.5
Kuwait SE	7,450	-1.5	5.8
KSA Tadawul	10,247	-5.3	-9.2
Muscat SM 30	4,784	3.7	15.9
Qatar Exchange	11,489	-4.4	-1.2

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.57	6.4	205.5
Bunds 10 Year	1.93	7.0	210.4
Gilts 10 Year	3.18	3.4	220.9
JGB 10 Year	0.25	-0.5	18.0
Regional			
Abu Dhabi 2027	3.91	3.2	118.9
Oman 2027	5.78	-3.2	31.5
Qatar 2026	4.22	4.7	142.1
Kuwait 2027	4.33	10.2	152.7
Saudi Arabia 2028	4.49	-1.9	112.2
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	76.1	-11.1	-2.2
KEC	75.2	-10.7	-4.9
WTI	71.0	-11.2	-5.6
Gold	1798.1	0.1	-1.6

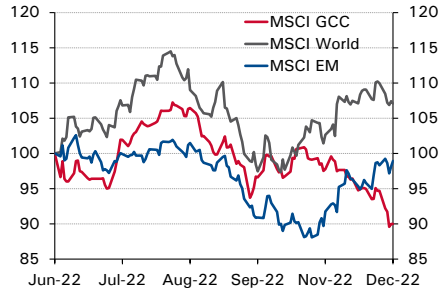
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhior - 3 month	5.80	-0.9	428.8
Kibor - 3 month	4.00	0.0	250.0
Qibor - 3 month	4.88	-1.7	375.8
Eibor - 3 month	4.48	-0.3	411.1
Saibor - 3 month	5.23	-13.8	432.2
Libor - 3 month	4.73	-3.2	452.4
Sofr - 3 month	4.50	8.3	440.5
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	0.1	1.5
KWD per EUR	0.323	1.0	-6.1
USD per EUR	1.053	-0.1	-7.4
JPY per USD	136.6	1.7	18.7
USD per GBP	1.226	-0.3	-9.4
EGP per USD	24.55	0.1	56.8

Updated on 9/12/2022

Source: Refinitiv

International equity markets

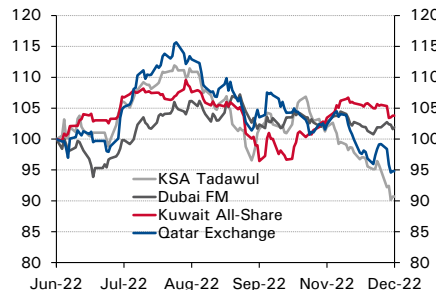
(rebased, 17 June 2022=100)



Source: Refinitiv

GCC equity markets

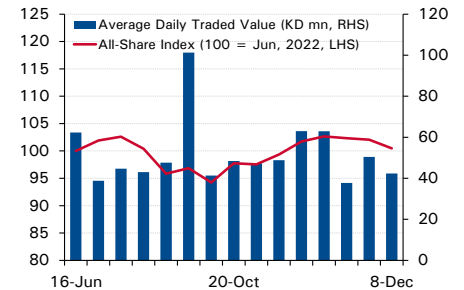
(rebased, 16 June 2022=100)



Source: Refinitiv

Bursa Kuwait

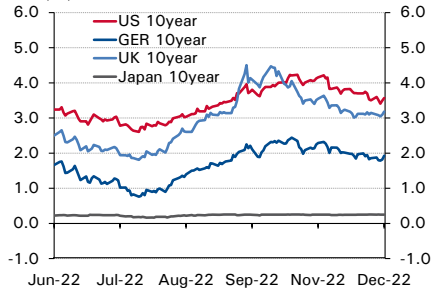
(equity prices and trading activity)



Source: Refinitiv

International bond yields

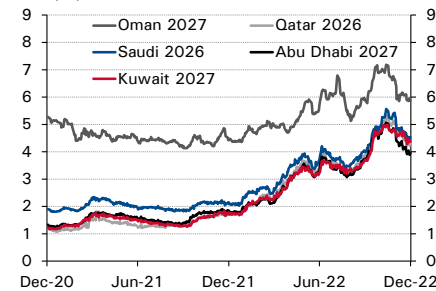
(%)



Source: Refinitiv

GCC bond yields

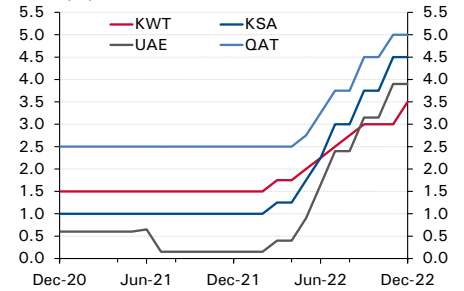
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv