

### International and markets

**US:** In line with expectations, the Fed increased rates by 0.75% to a target range of 3% to 3.25%, bringing cumulative hikes to 3% since March. The dot-plot indicated a further 1.25% increase in rates by year-end, a 0.25% rise in 2023, followed by a 0.75% rate cut in 2024. GDP growth has been sharply cut to just 0.2% in 2022 and 1.2% in 2023, from 1.7% each previously, with the unemployment rate seen rising to 4.4% in 2023 (latest 3.7%). PCE inflation was upped to 5.4% in 2022 (latest 6.3%), dropping to 2.8% in 2023 and 2.3% in 2024.

**Europe:** The new UK chancellor unveiled sweeping tax cuts (related to income taxes and property stamp duties) to propel the faltering economy, costing around GBP 160+ billion over the next five years. Earlier, the BoE raised the bank rate by 50 bps to 2.25% and said it expected the economy to shrink by 0.1% in Q3 (-0.1% in Q2). The bank also endorsed its bond sale plan to reduce its overall balance sheet by GBP 80 billion in the next 12 months. These announcements drove a massive sell-off in the UK bond and currency markets, with the pound falling to \$1.09, the lowest since 1985. Meanwhile, the composite PMIs continued contracting in both the UK (48.4 from 49.6) and the Eurozone (48.2 from 48.9) during September, exacerbated by deteriorating consumer confidence.

**China:** The central bank cut the rates on its 14-day reverse repo by 10 basis points, stepping up cash injections to provide adequate levels of liquidity.

**Japan:** CPI inflation stood at 3.0% in August from 2.6% in July. The plunging yen strengthened slightly after the central bank intervened in FX markets for the first time since 1998.

**Financial markets:** Global equity markets fell sharply on the Fed's rate hike and hawkish commentary. The MSCI ACWI fell 4.2% w/w led by the S&P500 (-4.6%). The 10-year UST yield surged 25 bps to 3.7%. The MSCI GCC tracked global markets lower, down 3.2% led by Qatar (-4.5%), while Kuwait lost 2.1%.

**Oil:** Global recession fears pushed Brent down to \$86.2/bbl (-5.7% w/w) on Friday, its lowest level since January and a fourth consecutive weekly loss. Oil's drop on Friday came in the wake of US Fed Chairman Powell's warning about a recession, another round of aggressive central bank rate hikes and further US dollar strengthening.

### MENA Region

**GCC:** Most GCC central banks raised interest rates in line with the US Fed. Bahrain raised its key one-week deposit facility to

4%; the CBUAE raised its Overnight Deposit Facility from 2.4% to 3.15%; the QCB hiked its lending rate to 4.5%; and SAMA increased its repo and reverse repo rates to 2.75% and 3.25% respectively. However, the CBK raised its discount rate by a more modest 25 bps to 3%, continuing its more gradual approach to policy tightening so far this year.

**Kuwait:** Real estate sales increased sharply in August reaching KD366 million (75% m/m, -11% y/y), recovering from a large drop in July (to KD209 million) likely linked to seasonal factors.

**Saudi Arabia:** Non-oil exports increased by 26% y/y in July, while imports were up by 18%. For 7M2022, non-oil exports expanded by 31%, way higher than the 18% increase in imports, in continuation of the trend witnessed last year.

**UAE:** GDP increased by 8.4% y/y in 1Q22 with the oil sector registering growth of 7.5 y/y, while the non-oil sector saw a still higher growth at 8.8%, still benefiting from a post-Covid bounce but also the Expo 2020 impact on the hospitality sectors.

**Egypt:** The central bank kept its benchmark overnight deposit rate on hold at 11.25% while raising the required reserve ratio from 14% to 18%. Meanwhile, the government is hopeful it can reach at least a staff-level agreement with the IMF assistance within one to two months, according to the Minister of Finance.

### Key takeaways:

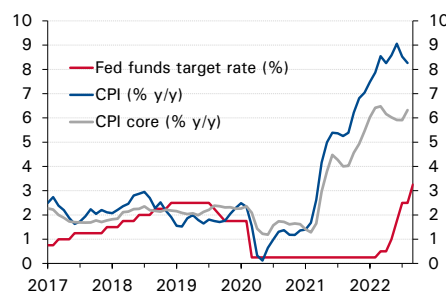
- FOMC members are almost evenly split between a 1% or 1.25% additional increase in US rates before year-end. For 2023, the overriding view is that rates will need to rise further, despite what Fed chair Powell outlined as a growing risk of recession, reflecting a determination to bear down on inflation.
- Though oil prices have fallen on recession fears, oil demand is still strong and supply side pressures are set to increase in 4Q22 with the likely ending of the US administration's SPR withdrawals, the impending EU embargo on Russian oil, winter gas-to-oil switching and OPEC's aim to defend prices.
- The CBK's relatively gradual approach to policy tightening reflects a desire to support growth and at the same time retain the attractiveness of dinar assets and reinforce financial stability. Still, further hikes look likely as the Fed tightens, with the August precedent even implying scope for 'off-cycle' moves.
- In Egypt, the central bank decided to tighten financial conditions by raising reserve requirements instead of increasing interest rates. This avoids putting additional pressure on the fiscal position by raising debt service costs, and may also reflect a desire to reduce dependence on 'hot money' inflows.

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



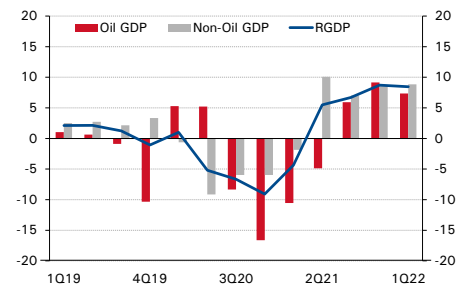
Source: Refinitiv

▶ **Chart 2: US Inflation and policy rate**  
(% y/y)



Source: Refinitiv

▶ **Chart 3: UAE GDP**  
(% y/y)



Source: FCSC

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	3,856	-1.9	-21.9
DAX	12,284	-3.6	-22.7
DJIA	29,590	-4.0	-18.6
Eurostoxx 50	3,349	-4.3	-22.1
FTSE 100	7,019	-3.0	-5.0
Nikkei 225	27,154	-1.5	-5.7
S&P 500	3,693	-4.6	-22.5
<b>Regional</b>			
Abu Dhabi SM	10,026	-1.7	18.1
Bahrain ASI	1,928	-0.6	7.3
Dubai FM	3,409	-2.3	6.7
Egypt EGX 30	9,933	-1.4	-16.9
MSCI GCC	751	-3.2	1.9
Kuwait SE	7,444	-2.1	5.7
KSA Tadawul	11,461	-3.1	1.6
Muscat SM 30	4,473	-0.1	8.3
Qatar Exchange	12,644	-4.5	8.8

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	3.70	25.0	218.5
Bunds 10 Year	2.03	26.6	221.0
Gilts 10 Year	3.83	69.0	285.7
JGB 10 Year	0.24	-2.0	16.5
<b>Regional</b>			
Abu Dhabi 2027	4.40	40.1	146.4
Oman 2027	6.46	33.6	47.0
Qatar 2026	4.33	26.1	148.0
Kuwait 2027	4.22	43.1	145.9
Saudi Arabia 2028	4.59	37.5	117.3
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	86.2	-5.7	10.8
KEC	96.8	-2.0	22.5
WTI	78.7	-7.5	4.7
Gold	1645.3	-1.6	-10.0

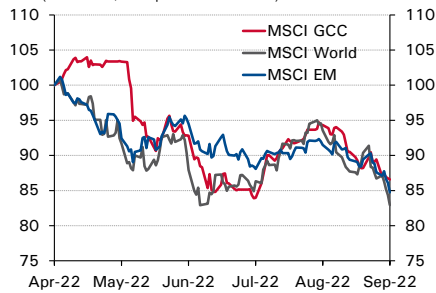
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	4.82	60.6	330.8
Kibor - 3 month	2.88	25.0	137.5
Qibor - 3 month	2.45	0.0	132.5
Eibor - 3 month	3.11	-17.5	275.0
Saibor - 3 month	3.60	15.6	269.5
Libor - 3 month	3.63	6.3	341.9
Sofr - 3 month	3.52	17.9	342.8
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.310	0.2	2.5
KWD per EUR	0.300	-2.4	-12.7
USD per EUR	0.969	-3.2	-14.8
JPY per USD	143.3	0.3	24.5
USD per GBP	1.086	-4.9	-19.8
EGP per USD	19.46	0.3	24.3

Updated on 23/9/2022

Source: Refinitiv

### International equity markets

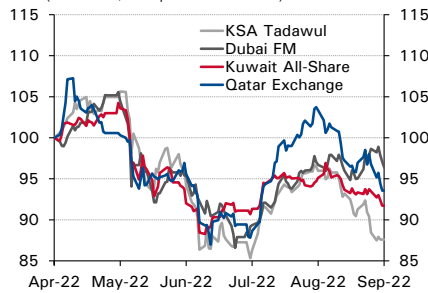
(rebased, 1 April 2022=100)



Source: Refinitiv

### GCC equity markets

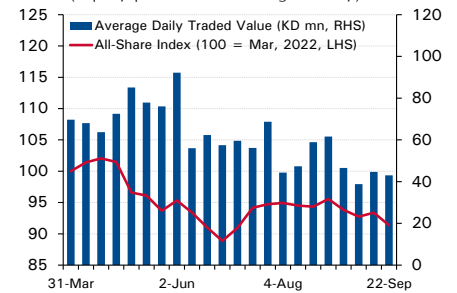
(rebased, 1 April 2022=100)



Source: Refinitiv

### Boursa Kuwait

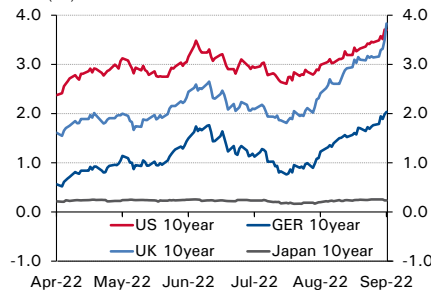
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

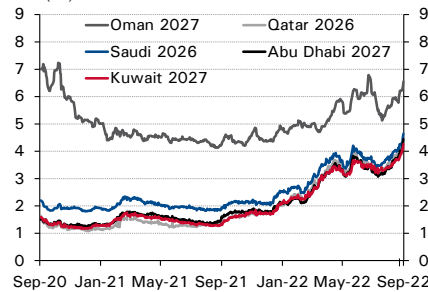
(%)



Source: Refinitiv

### GCC bond yields

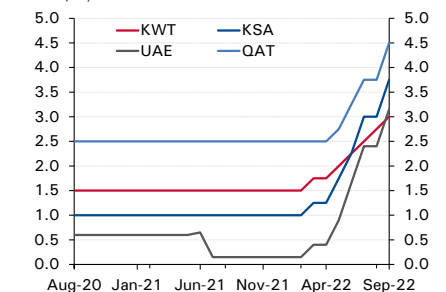
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv