

International and markets

US: In his testimony to the US Congress, Fed chair Powell kept the door open for accelerated rate hikes if the incoming economic data remained strong, emphasizing that the peak Fed rate is likely to be higher than previously anticipated. Non-farm payrolls increased by an above-consensus 311K, slowing from 504K in January, signaling a continued tight labor market. However, the unemployment and participation rates edged up to 3.6% and 62.5%, respectively, and wage growth slowed to a year-low of 0.2% m/m (+4.6% y/y). Meanwhile, in an unintended casualty of higher interest rates, start-up-focused Silicon Valley Bank (SVB), with total assets of \$211bn, collapsed after a deposit run amid sharp marked-to-market losses in its US treasury holdings. This was the largest US bank failure since 2008.

Europe: Eurozone GDP for 4Q22 was revised down to show no growth q/q (+1.8% y/y) from a preliminary estimate of +0.1% q/q earlier, slowing from +0.2% in Q3, as household spending and gross fixed capital formation contracted. Meanwhile, retail sales in February recovered less-than-forecast, by 0.3% m/m from -1.6% in January. UK GDP in January grew a better-than-expected 0.3% m/m, rebounding from a drop of 0.5% in December on stronger growth in the services sector, while the manufacturing sector slumped.

China: Exports fell 6.8% y/y in January-February amid subdued global demand, while a 10.2% y/y decline in imports suggested a sluggish pace of domestic recovery. Meanwhile, CPI inflation eased to 1% y/y in February (versus 2.1% in January) as growth in food prices moderated, while PPI inflation was at -1.4% y/y.

Financial markets: Global equity markets fell sharply on renewed rate-hike concerns and distress in the financial sector. The S&P 500 fell a steep 4.5% w/w to a seven-week low. The risk-off sentiment pushed the 10-year UST yield down 27 bps w/w to 3.7%. In contrast, the MSCI GCC gained 1.2% w/w, lifted by Saudi Arabia (1.8%) while Kuwait was unchanged.

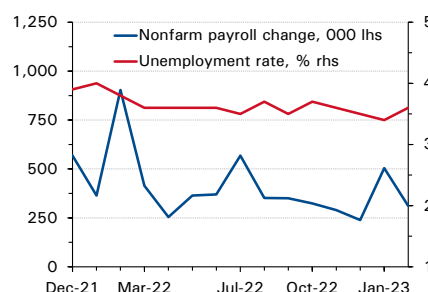
Oil: Brent fell 3.6% w/w to \$82.8/bbl (-3.6% ytd) last week amid expectations of continued US Fed rate hikes and after China tempered its economic growth targets for this year. It recouped some losses on Friday after the release of robust US job data. In what could ease oil's geopolitical risk premium, regional rivals Saudi Arabia and Iran agreed to restore diplomatic relations.

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



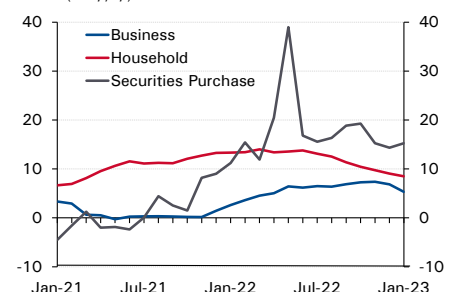
Source: Refinitiv

► **Chart 2: US employment**



Source: Haver

► **Chart 3: Kuwait credit**
(% y/y)



Source: Haver

MENA Region

Kuwait: Real estate sales fell 37% y/y and 32% m/m to KD187mn in February on weaker performances in all three sectors, commercial (-89% y/y), investment (-40%) and residential (-19%). Domestic credit expanded by 0.4% m/m in January (+7.7% y/y), as business credit increased by 0.4% (+5.3% y/y) and household lending inched up by 0.1% (+8.5% y/y). Loans to banks and other financial institutions jumped by 5.8% m/m, accounting for 61% of the increase in credit.

Saudi Arabia: Non-oil GDP increased by 6.2% y/y in 4Q22, with government and oil sectors up by 2.9% and 6.1%, respectively, and overall GDP growth at 5.5%, slightly higher than the 5.4% initial estimate. For full-year 2022, non-oil activities expanded by 5.4%, oil activities soared by 15.4%, and overall GDP increased by 8.7%.

UAE: The federal government and all seven emirates signed the Net-Zero 2050 Charter, reiterating the 2050 strategic initiatives and an AED 600 billion plan to invest in green energy sources.

Egypt: Inflation surpassed our expectations, recording a new five-year high of 31.9% y/y (6.5% m/m) for February, while the core rate jumped to 40% y/y (8.1% m/m). Food prices surged by 62% y/y and 14% m/m, while restaurant and hotel costs increased 50% y/y and 6.6% m/m. Inflation in January had stood at 25.8% y/y (4.7% m/m).

Key takeaways:

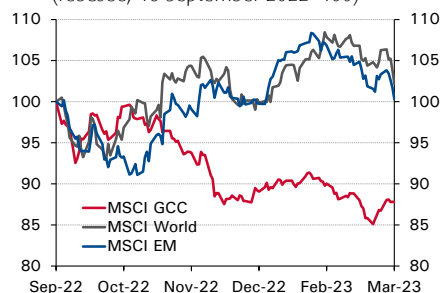
- US bank SVB's failure appears at least partly triggered by its out-sized exposure to an already cash-strapped start-up industry. Still, despite a tight jobs market, it could make the Fed adopt a more measured rate-hike and monetary tightening approach to prevent market concerns from spreading.
- Europe's economic outlook seems to have improved as leading indicators, including PMIs, point towards a gradual recovery. The ECB, in its policy meeting later this week, looks set to hike the deposit by 50bps to tame price rises further.
- Although Kuwait's real estate activity has been softening for the past year, the sharp drop seen in February was most likely driven by the reduced working days in the month (short month plus public holidays). If so, March could see an improvement.
- Egypt's higher inflation implies greater second-round effects after January's 18% fall in the pound. Market expectations are for further weakness with the parallel market rate some 6% below the official rate. The central bank is likely to raise interest rates further this month to address inflation and EGP weakness.

Key data

Stock markets	Index	Change (%)		Bond yields	%	Change (bps)		Interbank rates	%	Change (bps)					
		1-week	YTD			1-week	YTD			1-week	YTD				
International															
CSI 300	3,967	-4.0	2.5	UST 10 Year	3.70	-26.8	-13.6	Bhibor - 3 month	6.31	1.0	16.7				
DAX	15,428	-1.0	10.8	Bunds 10 Year	2.50	-21.8	-6.6	Kibor - 3 month	4.25	0.0	25.0				
DJIA	31,910	-4.4	-3.7	Gilts 10 Year	3.64	-21.3	-2.7	Qibor - 3 month	5.35	15.0	6.7				
Eurostoxx 50	4,230	-1.5	11.5	JGB 10 Year	0.39	-11.2	-2.6	Eibor - 3 month	5.00	19.9	68.6				
FTSE 100	7,748	-2.5	4.0	Regional											
Nikkei 225	28,144	0.8	7.9	Abu Dhabi 2027	4.58	-7.6	8.2	Oman 2027	5.95	-3.4	-0.7				
S&P 500	3,862	-4.5	0.6	Qatar 2026	4.69	-21.2	4.7	Kuwait 2027	4.44	-13.6	3.9				
Regional															
Abu Dhabi SM	9,828	-0.8	-3.8	Saudi Arabia 2028	4.83	-18.1	3.4	Exchange rates	rate	Change (%)					
Bahrain ASI	1,912	-0.9	0.9	Commodities											
Dubai FM	3,386	-1.0	1.5		\$/unit	Change (%)				1-week	YTD				
Egypt EGX 30	16,454	-2.3	12.7	Brent crude	82.8	-3.6	-3.6	KWD per USD	0.307	0.0	0.4				
MSCI GCC	681	1.2	-1.4	KEC	81.7	-3.6	-0.5	KWD per EUR	0.327	-0.2	-0.2				
Kuwait SE	7,283	0.0	-0.1	WTI	76.7	-3.8	-4.5	USD per EUR	1.064	0.1	-0.6				
KSA Tadawul	10,463	1.8	-0.8	Gold	1862.0	0.8	2.3	JPY per USD	135.0	-0.6	3.0				
Muscat SM 30	4,850	0.6	-0.5	Updated on 10/3/2023 Source: Refinitiv											
Qatar Exchange	10,737	1.1	0.5												

International equity markets

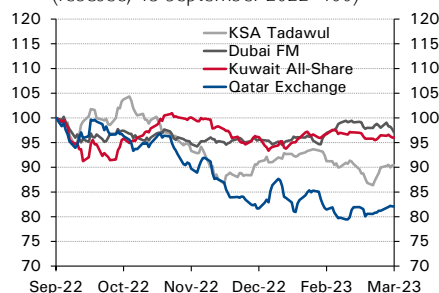
(rebased, 16 September 2022=100)



Source: Refinitiv

GCC equity markets

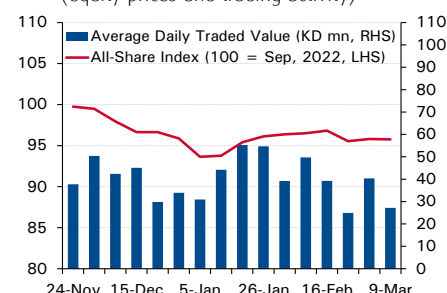
(rebased, 15 September 2022=100)



Source: Refinitiv

Bursa Kuwait

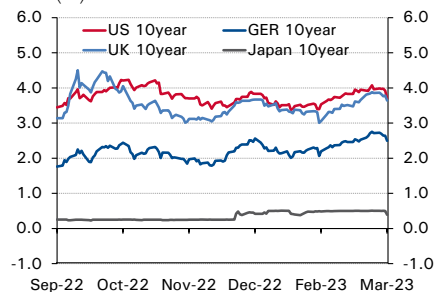
(equity prices and trading activity)



Source: Refinitiv

International bond yields

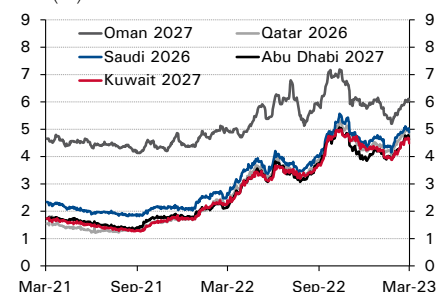
(%)



Source: Refinitiv

GCC bond yields

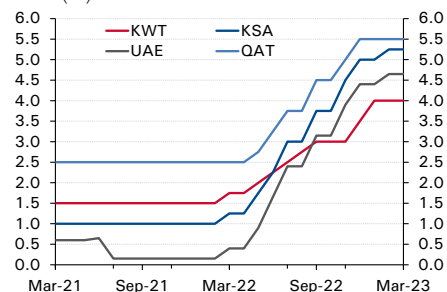
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv