

International and markets

US: Non-farm payrolls increased by a much lower-than-expected 199k in December. In a separate report, the closely-watched quit rate increased to 3%, matching September's series high, after a record 4.53 million workers quit their jobs during November. The unemployment rate (derived from a different survey) fell to 3.9% in December from 4.2% in November, its lowest level since the outbreak of the pandemic. Meanwhile, minutes from the Fed's December meeting showed that members were prepared to start shrinking the Fed's balance sheet after the first rate hike and at a faster pace than in the previous tightening cycle.

Europe: Eurozone inflation hit another single currency-era high of 5.0% y/y in December, up from 4.9% in November and above the consensus expectation. High energy costs are one factor pushing inflation up, but the core rate – unchanged at 2.6% in December – is also above the European Central Bank's target rate of 2%. The bank expects inflation to fall back this year (to 1.9% by 4Q22) as the upward boost from energy prices fades and supply chain issues are gradually resolved.

China: Both factory (50.3) and service (52.0) PMI activity gauges rose in December, offering positive news amid broader signals of softer macroeconomic conditions. Meanwhile, the central bank has released a pilot version of the digital yuan wallet app in a push for more digital currency adoption.

Financial markets: Global stocks were mostly negative last week, concerned by the likelihood of a faster-than-anticipated increase in US interest rates. The MSCI AD World lost 1.4% w/w, led by a 1.9% drop in the S&P500. In contrast, supported by higher oil prices, the MSCI GCC rose 1% w/w, with Qatar and Kuwait up 2.9% and 0.8%, respectively.

Oil: Brent notched up a third consecutive week of gains on Friday, closing up 5.1% w/w at \$81.8/bbl as outages in Libya and conflicts in Kazakhstan raised supply concerns. OPEC+ agreed at the recent meeting to continue unwinding supply cuts in February at the monthly rate of 400 kb/d.

MENA Region

Kuwait: Inflation eased to 3.8% y/y in October from 4.1% in September. Prices in the housing services and food components ticked up by 0.8% y/y and 7.7% y/y, respectively. Increases were most marked in the education sector (+18.9%). Meanwhile, real estate activity slowed in December, easing to

KD 277 million (-6% m/m; +9% y/y) on lower volumes, though investment sector sales were robust (+9% m/m; +160% y/y). Domestic credit growth increased in November (+1.1% m/m; +5.2% y/y), driven by robust, multi-year high household credit growth (+12.7%). Lending to businesses ticked up by 0.5% m/m (+0.2% y/y).

Saudi Arabia: Non-oil private sector activity softened in December due to Omicron concerns, the latest PMI survey showed. The headline reading, though indicative of expansion, slipped to a nine-month low of 53.9 from 56.9 in November.

UAE: The PMI also fell in the UAE in December for much the same reason, slipping to 55.6 from 55.9 in the previous month.

Oman: The Ministry of Finance pegged the 2021 budget deficit at \$3.1 billion (3.8% of GDP), an impressive turnaround from 2020's deficit of 18% of GDP. Meanwhile, central bank foreign currency reserves reached \$18 billion (+31% y/y) at end-2021.

Egypt: December's headline PMI, at 49, remained in contractionary territory for a 13th consecutive month. That said, it improved marginally on November, on higher exports. The minister of finance stated that the FY22/23 and FY24/25 draft budgets target an overall fiscal deficit of 6.1% and 5.1% of GDP, respectively (based in GDP growth rates of 5.7% and 6%, respectively). Net foreign reserves were stable at \$41 billion in December.

Key takeaways:

- US data releases showing continued price pressures and tight labor market conditions will only strengthen the Fed case, as revealed in their hawkish December meeting minutes, for a sooner-than-expected interest rate lift-off in March.
- Oil's recent rally has largely been driven by supply-side factors: outages in oil producing countries (in OPEC+ only around two-thirds of the 400 kb/d monthly supply increase has actually materialized) and continued supply discipline by US shale producers. This, along with lessening fears over the economic disruption caused by Omicron, could mean that 1Q22 stock builds end up being smaller than anticipated, which would support prices at current levels.
- Consumer price inflation in Kuwait continues to trend at high levels on the back of both robust demand and high international food prices. The higher Sept/Oct readings were also influenced by the first rise in housing rents in more than two years and by higher education fees as schools resumed on-site teaching.

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



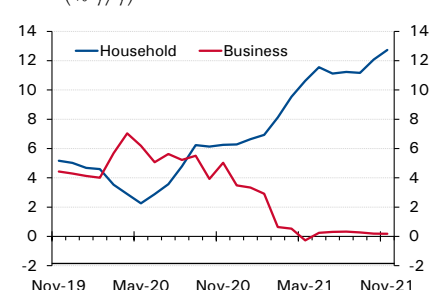
Source: Refinitiv

▶ **Chart 2: US unemployment**
(%, seasonally adjusted)



Source: Refinitiv

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



Source: Central Bank of Kuwait

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,822	-2.4	-2.4
DAX	15,948	0.4	0.4
DJIA	36,232	-0.3	-0.3
Eurostoxx 50	4,306	0.2	0.2
FTSE 100	7,485	1.4	1.4
Nikkei 225	28,479	-1.1	-1.1
S&P 500	4,677	-1.9	-1.9
Regional			
Abu Dhabi SM	8,395	-1.1	-1.1
Bahrain ASI	1,789	-0.5	-0.5
Dubai FM	3,196	0.0	0.0
Egypt EGX 30	12,043	0.8	0.8
MSCI GCC	744	1.0	1.0
Kuwait SE	7,097	0.8	0.8
KSA Tadawul	11,431	1.3	1.3
Muscat SM 30	4,188	1.4	1.4
Qatar Exchange	11,959	2.9	2.9

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.77	25.4	25.4
Bunds 10 Year	-0.03	15.0	15.0
Gilts 10 Year	1.18	20.8	20.8
JGB 10 Year	0.12	5.4	5.4
Regional			
Abu Dhabi 2027	1.98	19.3	48.0
Oman 2027	4.47	7.7	-74.8
Qatar 2026	1.89	14.0	52.3
Kuwait 2027	1.79	7.0	38.3
Saudi Arabia 2028	2.33	21.5	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	81.8	5.1	5.1
KEC	83.5	5.2	5.6
WTI	78.9	4.9	4.9
Gold	1797.0	-1.7	-1.7

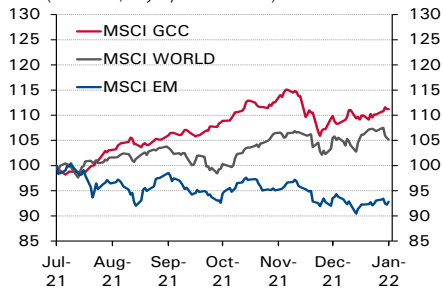
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	1.52	0.0	0.0
Kibor - 3 month	1.50	0.0	0.0
Qibor - 3 month	1.15	2.5	2.5
Eibor - 3 month	0.44	7.3	7.3
Saibor - 3 month	0.91	0.4	0.4
Libor - 3 month	0.23	1.7	2.2
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.302	0.1	0.1
KWD per EUR	0.340	0.0	0.0
USD per EUR	1.136	-0.1	-0.1
JPY per USD	115.6	0.4	0.4
USD per GBP	1.359	0.4	0.4
EGP per USD	15.67	0.1	0.1

Updated on 7/1/2022

Source: Refinitiv

International equity markets

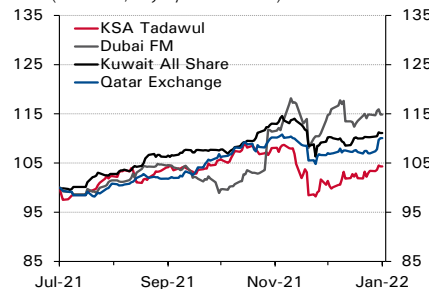
(rebased, 7 July 2021=100)



Source: Refinitiv

GCC equity markets

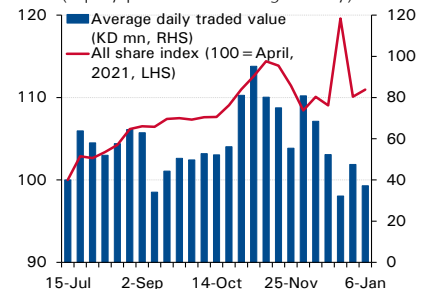
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Source: Refinitiv

Bursa Kuwait

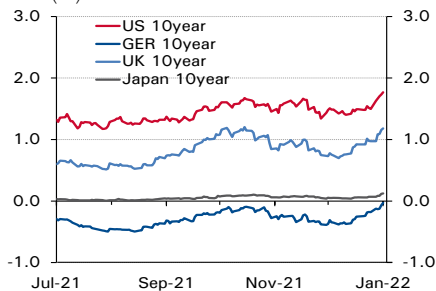
(equity prices and trading activity)



Source: Refinitiv

International bond yields

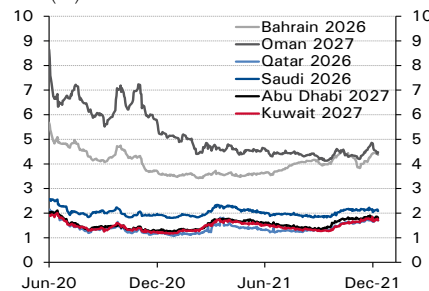
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Source: Refinitiv

GCC bond yields

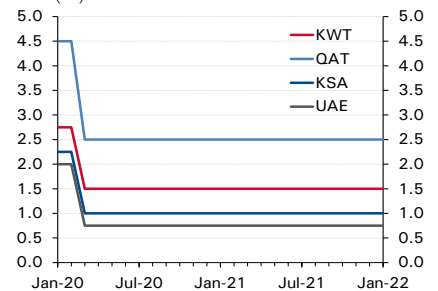
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv