

### International and markets

**US:** The Fed hiked interest rates by 25 bps to a range of 5-5.25%, signalling a pause in the current rate-hike cycle and ruling out any cuts based on this year's inflation outlook. Chair Powell highlighted that any additional policy firming would consider the cumulative effect of the tightening along with evolving credit conditions. Meanwhile, non-farm payrolls in April increased by a higher-than-forecast 253K from a downwardly-revised 165K in March. Average hourly wages rose 0.5% m/m (4.4% y/y), while the unemployment rate dropped to a multi-decade low of 3.4%. Job openings also fell to a near two-year low of 9.6mn in March. Finally, business activities (based on the ISM PMI surveys) in April improved somewhat, with services rising to 51.9 from 51.2 and manufacturing, still in contraction territory, ticking up to 47.1 from 46.3.

**Eurozone:** The ECB raised rates by 25 bps to 3.25%, in-line with expectations. The bank will also cut the stockpile of bond holdings by €25bn a month from July, from the current €15bn a month. ECB President Lagarde signaled that this would not be the last move this year as there is more ground to cover. The Composite PMI came in at 54.1 in April (53.7 in March), with the Services PMI increasing to 56.2 from 55.0 in March, while the Manufacturing PMI decreased to 45.8 from 47.3. Meanwhile, CPI inflation stood at 7.0% y/y in April, slightly higher than the 6.9% recorded in March, while the core rate inched down to 5.6% from 5.7%. Finally, unemployment dropped slightly to 6.5% in March from 6.6% in February.

**UK:** The Composite PMI came in at 54.9 in April (52.2 in March) with services continuing to outperform manufacturing. The Services PMI increased to 55.9 from 52.9 in March while the Manufacturing PMI inched down to 47.8 from 47.9.

**Financial markets:** Global equity markets were broadly negative despite probably the last Fed rate hike as banking sector and recession concerns remained in the spotlight. The MSCI ACWI shed 0.5% w/w led by the Dow Jones (-1.2%). The MSCI GCC followed suit, down 0.8% led by Kuwait's All-Share (-1.8%), with investor concerns compounded by oil market volatility.

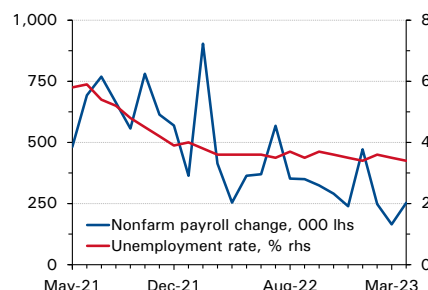
**Oil:** Brent fell 5.3% w/w to \$75.3/bbl (-12.4% ytd) on Friday, a third weekly loss in a row, amid sustained economic recession fears and despite a positive US jobs report and continued crude stock draws—bullish indicators. US debt ceiling worries have also entered the fray. Market liquidity is noticeably reduced.

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



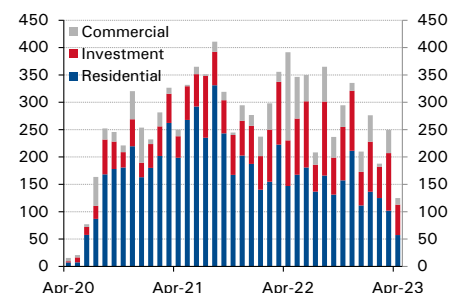
Source: Refinitiv

► **Chart 2: US labor market**



Source: Haver

► **Chart 3: Kuwait real estate sales** (KD, millions)



Source: Ministry of Justice

### MENA Region

**GCC:** GCC central banks, with the exception of Kuwait's, tracked the Fed in raising key interest rates by 25 bps.

**Kuwait:** An Amiri decree was issued to dissolve the recently reinstated 2020 National Assembly. Elections will be held on 6 June. Meanwhile, the customs authority announced a 24% jump in revenues to KD405mn in the 2022-23 fiscal year, noting continued efforts to improve customs processes. Finally, real estate sales in April fell to their lowest level since June 2020 at KD125mn (-68% y/y) on lower residential (-61%), investment (-33%) and commercial (-92%) sector sales.

**KSA:** As per the official flash estimates, non-oil activities increased by 5.8% y/y in 1Q2023, while oil activities by 1.3%. Headline GDP growth came in at 3.9%. Meanwhile, the PMI increased to 59.6 in April, the second-highest level in around 8 years as the new orders index rallied to 69.1, the highest level in more than 8 years. Credit growth stood at 0.9% m/m in March (+11.8% y/y), while deposits increased by a significant 4.3% m/m (+10.8% y/y), driven by soaring deposits (+8.2% m/m) from government entities.

**UAE:** The PMI in April reached its highest level since October 2022 at 56.6, up from 55.9 in March. New orders was the main driver of this increase, while output remained robust.

**Egypt:** Fitch downgraded Egypt's rating to "B" and cut its outlook to negative, citing external financing risks, uncertainty on the exchange rate trajectory and reduced external liquidity buffers. Meanwhile, the current account deficit shrank by 77% y/y to \$1.78bn in 1HFY22/23 on the back of a 12% decrease in imports and a strong recovery (+26%) in tourism revenues, while inward remittances witnessed a 20% drop. Finally, the PMI remained well below the 50 mark at 47.3 in April (46.7 in March). This was highest level in the past six months, however.

#### Key takeaways:

- Although April's job data in the US surprised positively, downward revisions to the prior months' figures imply the labor market is becoming less tight. Yet, the decades-low unemployment rate should help achieve a softer landing despite the aggressive monetary tightening.
- The Saudi economy started the year on a strong note, especially with non-oil activities increasing by 5.8% y/y. We expect the momentum to be maintained going forward, with non-oil activities expanding by at least 5.0% for the full year.
- We estimate Egypt's current account deficit to stand at \$4-5bn in FY22/23 as we expect tourism revenues to continue to perform well. During the first 4 months of 2023, tourism revenues jumped by 33% y/y.

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,017	-0.3	3.8
DAX	15,961	0.2	14.6
DJIA	33,674	-1.2	1.6
Eurostoxx 50	4,340	-0.4	14.4
FTSE 100	7,778	-1.2	4.4
Nikkei 225	29,158	1.0	11.7
S&P 500	4,136	-0.8	7.7
<b>Regional</b>			
Abu Dhabi SM	9,706	-0.9	-4.9
Bahrain ASI	1,906	0.6	0.6
Dubai FM	3,583	1.1	7.4
Egypt EGX 30	17,295	-2.8	18.5
MSCI GCC	696	-0.8	0.7
Kuwait SE	7,034	-1.8	-3.5
KSA Tadawul	11,119	-1.4	5.4
Muscat SM 30	4,724	-0.2	-3.0
Qatar Exchange	10,640	4.9	-0.4

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	3.45	-0.6	-38.5
Bunds 10 Year	2.29	-2.7	-26.9
Gilts 10 Year	3.78	6.4	11.2
JGB 10 Year	0.42	2.3	0.3
<b>Regional</b>			
Abu Dhabi 2027	3.93	-1.8	-29.7
Oman 2027	5.52	3.7	-47.0
Qatar 2026	4.07	1.4	-40.9
Kuwait 2027	3.94	0.3	-32.7
Saudi Arabia 2028	4.26	-3.3	-40.6
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	75.3	-5.3	-12.4
KEC	75.7	-6.5	-7.8
WTI	71.3	-7.1	-11.1
Gold	2017.4	1.4	10.9

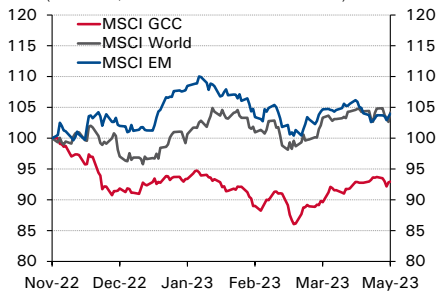
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	6.36	-5.7	21.9
Kibor - 3 month	4.25	0.0	25.0
Qibor - 3 month	5.87	-0.8	58.3
Eibor - 3 month	5.21	21.7	89.8
Saibor - 3 month	5.71	1.8	50.2
Libor - 3 month	5.34	3.4	57.0
Sofr - 3 month	5.04	-0.7	45.1
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	-0.1	0.2
KWD per EUR	0.338	-0.2	3.1
USD per EUR	1.102	0.0	2.9
JPY per USD	134.8	-1.1	2.8
USD per GBP	1.264	0.5	4.5
EGP per USD	30.75	-0.3	24.3

Updated on 5/5/2023

Source: Refinitiv

### International equity markets

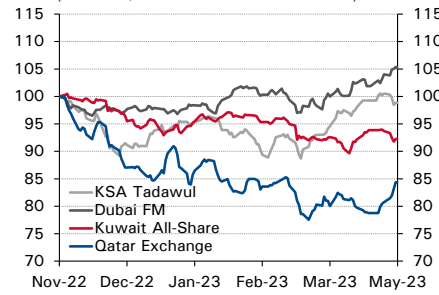
(rebased, 11 November 2022=100)



Source: Refinitiv

### GCC equity markets

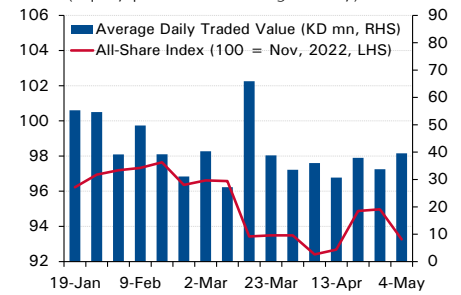
(rebased, 10 November 2022=100)



Source: Refinitiv

### Bursa Kuwait

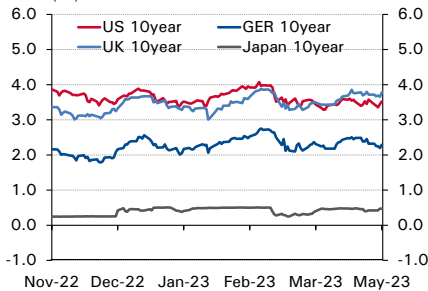
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

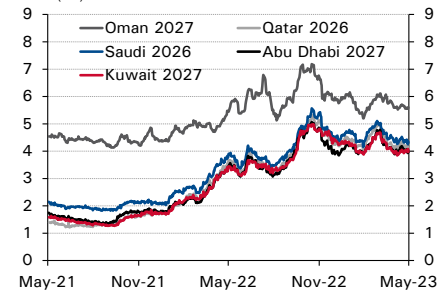
(%)



Source: Refinitiv

### GCC bond yields

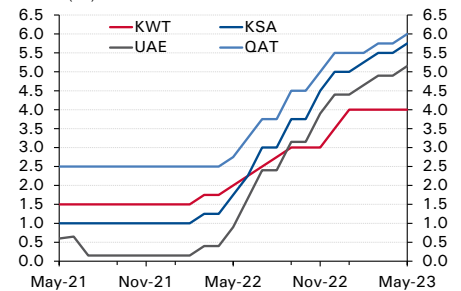
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv