

International and markets

US: Economic data flow last week was largely positive, with rebounding retail sales in April (+0.4% m/m, from -0.7% in March) after two consecutive months of decline and recovering manufacturing production (+1% m/m from -0.8% in March) on a big 9.3% monthly jump in auto production. However, manufacturing PMIs have been contractionary since October 2022, signaling a more downbeat outlook. In the housing market, single-family housing starts rose, and homebuilder sentiment improved, but existing home sales declined. Interestingly, weekly jobless claims fell to 242K after a sharp uptick previously, suggesting that the job market is not yet loosening quickly. Finally, debt-ceiling talks paused after making some progress earlier in the week, leaving a less certain path before the projected early-June deadline.

EU: Preliminary data for show Eurozone growth at 1.3% y/y in 1Q23, in line with both market estimates and 4Q22 growth. On a quarterly basis, GDP grew by only 0.1% q/q as expected but below the 0.3% q/q in 4Q22. Inflation was also in line with expectations: headline CPI stood at 7.0% y/y and 0.6% m/m. Core inflation readings came in line with estimates, at 5.6% y/y and 1% m/m.

China: Economic indicators continued to paint a mixed picture of the economic recovery in April as data missed market estimates. Retail sales growth accelerated to 18.4% y/y (10.6% in March) on base effects from Shanghai lockdowns in 2022, while industrial production and fixed asset investment grew by 5.6% and 4.7% y/y, respectively.

Financial markets: Global equities rallied amid optimism about a US debt ceiling deal. Gains were led by Japan's Nikkei 225 (4.8% w/w) boosted by an improving economic backdrop, while the S&P500 rose 1.6%. The bullish sentiment pushed the 10-year treasury yield up 23 bps w/w to 3.69%. The MSCI GCC lagged behind (-0.9% w/w) with sentiment affected by a slower growth outlook. Losses were led by Kuwait, down 2.1%.

Oil: Brent closed up at \$75.6/bbl (+1.9% w/w; -12.0% ytd) on Friday, its first weekly gain in a month, as optimism over a US debt ceiling deal increased. Supply outages in Canada and Iraq were bullish for oil, as was the fall in US oil rigs to a near year-low. Meanwhile, the IEA raised its 2023 oil demand growth estimate by 200 kb/d to 2.2 mb/d on improved Chinese activity.

MENA Region

GCC: The World Bank revised down its GCC growth forecast to 2.5% and 3.2% in 2023 and 2024 respectively, citing lower oil and gas earnings after the OPEC+ April production cut, and the effect of a global economic slowdown, with Kuwait seen growing at 1.3% in 2023 with 4.4% growth in non-oil activity.

Kuwait: Consumer price inflation was steady at 3.7% y/y (+0.2% m/m) in April amid sustained pressures in the food & beverage (7.7% y/y) and clothing & footwear (6.3% y/y) subcomponents, likely due to seasonal effects from the holy month of Ramadan. Meanwhile, core inflation (which excludes food and housing services) was unchanged at 3.2% y/y.

KSA: The consumer price index rose by a relatively elevated 0.4% m/m in April, likely impacted by seasonal factors (holy month of Ramadan), but with the y/y increase steady at 2.7%. The main driver of inflation for the past year has been housing rentals, which has increased by 9.6%.

Egypt: The Central Bank of Egypt (CBE) kept policy rates unchanged (discount rate 18.75%), in line with the consensus. Headline inflation eased slightly during the month of April to 30.6% y/y from 32.7% in March. The bank might not devalue the currency until there is more clarity with regards to progress on privatization and the availability of US dollars. Over the past week, the pound gained about 12% on the parallel market to now stand at EGP37 per USD. Meanwhile, unemployment came in at 7.1% in 1Q 2023 down by 0.1% from Q4 2022.

Key takeaways:

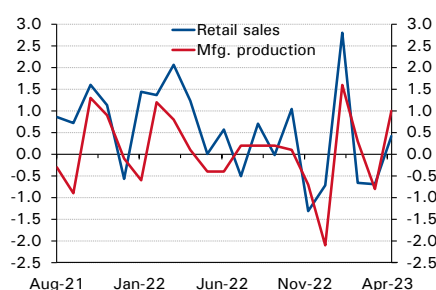
- In the US, improving retail sales, tentative signs of a stabilizing housing market, a still-tight job market, and moves to resolve the debt-ceiling impasse should help ease worries about recessionary headwinds for the economy, although a softer 2H 23 is still anticipated.
- The uptick in Kuwait's inflation rate in recent months may have been linked to temporarily higher food prices during Ramadan. The reversal of this effect should help food price inflation ease over coming months and we still expect inflation to average lower this year (3.1%) than in 2022.
- The pause in Egypt's rate hiking cycle was partly justified by easing inflation in April, but also comes in line with a pause in reforms in other areas, especially regarding a weaker EGP and privatization. The government has promised further asset sales by end-June, but the timeframe for execution is challenging.

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



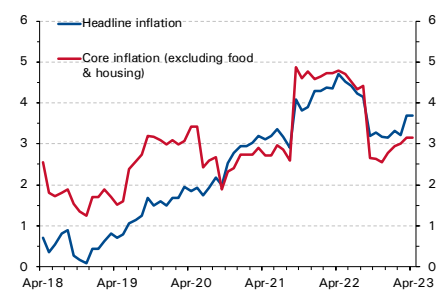
Source: Refinitiv

▶ **Chart 2: US Retail and manufacturing**
(% m/m)



Source: Haver

▶ **Chart 3: Kuwait Inflation**
(% y/y)



Source: Central Statistical Bureau

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,945	0.2	1.9
DAX	16,275	2.3	16.9
DJIA	33,427	0.4	0.8
Eurostoxx 50	4,395	1.8	15.9
FTSE 100	7,757	0.0	4.1
Nikkei 225	30,808	4.8	18.1
S&P 500	4,192	1.6	9.2
Regional			
Abu Dhabi SM	9,479	-1.6	-7.2
Bahrain ASI	1,943	0.3	2.5
Dubai FM	3,545	-0.4	6.2
Egypt EGX 30	16,746	-3.0	14.7
MSCI GCC	697	-0.9	0.8
Kuwait SE	6,801	-2.1	-6.7
KSA Tadawul	11,344	-0.4	7.6
Muscat SM 30	4,697	0.6	-3.6
Qatar Exchange	10,644	-0.9	-0.3

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.69	22.9	-13.9
Bunds 10 Year	2.42	15.7	-13.9
Gilts 10 Year	4.00	21.3	32.6
JGB 10 Year	0.40	1.5	-1.7
Regional			
Abu Dhabi 2027	4.21	27.4	-2.5
Oman 2027	5.74	18.7	-24.5
Qatar 2026	4.26	22.2	-21.9
Kuwait 2027	4.02	9.8	-24.8
Saudi Arabia 2028	4.53	28.7	-14.3
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	75.6	1.9	-12.0
KEC	77.4	2.0	-5.7
WTI	71.6	2.2	-10.9
Gold	1978.7	-1.8	8.7

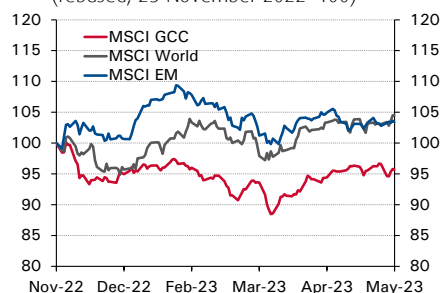
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	6.53	0.0	38.7
Kibor - 3 month	4.25	0.0	25.0
Qibor - 3 month	5.85	-10.0	56.7
Eibor - 3 month	5.10	-22.5	79.3
Saibor - 3 month	5.82	-6.5	60.5
Libor - 3 month	5.39	7.4	62.5
Sofr - 3 month	5.16	6.5	57.6
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	0.1	0.4
KWD per EUR	0.332	-1.4	1.4
USD per EUR	1.080	-0.4	0.9
JPY per USD	138.0	1.7	5.2
USD per GBP	1.244	-0.1	2.9
EGP per USD	30.85	0.0	24.7

Updated on 19/5/2023

Source: Refinitiv

International equity markets

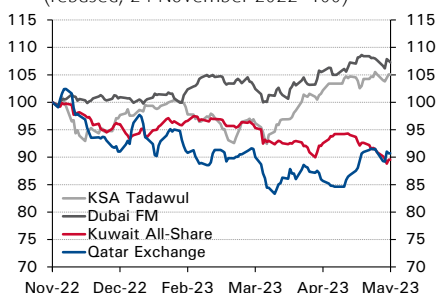
(rebased, 25 November 2022=100)



Source: Refinitiv

GCC equity markets

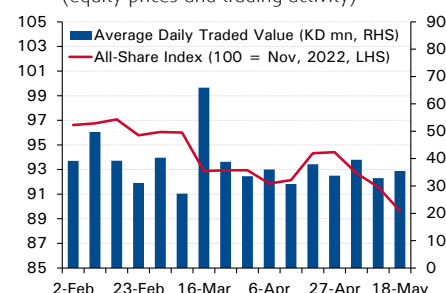
(rebased, 24 November 2022=100)



Source: Refinitiv

Bursa Kuwait

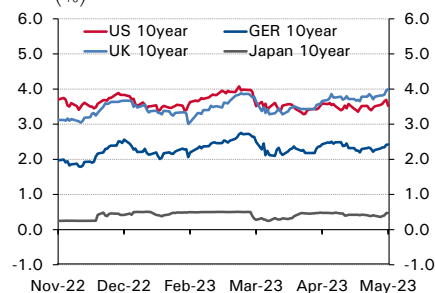
(equity prices and trading activity)



Source: Refinitiv

International bond yields

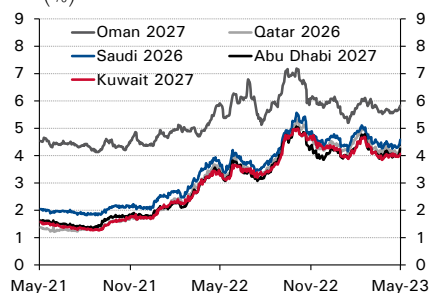
(%)



Source: Refinitiv

GCC bond yields

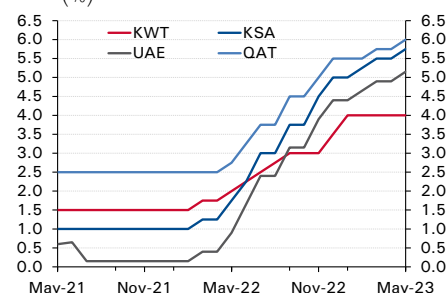
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv