

International and markets

US: Non-farm payrolls increased by a much higher-than-expected 528k in July (+398k in June, consensus at 250k), the strongest job gains in five months. The unemployment rate decreased to 3.5% from 3.6%, but labor participation dropped to 62.1% from 62.2%. The 3.5% unemployment rate ties with the pre-pandemic rate of February 2020, which was the lowest in at least 30 years. A separate survey showed that job openings dropped for the third straight month, down by 605k in June to stand at 10.7 mn, the lowest level since September 2021. Meanwhile, the ISM services index for July increased for the first time in four months to stand at 56.7 (55.3 in June, consensus at 53.0), reflecting growth for 26 consecutive months.

Europe: The Bank of England raised its policy interest rate by 50 bps to 1.75% and offered a blunt and downbeat assessment of the economic outlook. Inflation is now expected to reach a peak of above 13% in 4Q22 (versus 10% before) due to high gas prices and return to 2% only by 2024. Even more strikingly, it forecasts a recession with output falling for five successive quarters starting in 4Q22. The Bank also outlined plans to begin active quantitative tightening (bond sales) in late September. Meanwhile in Germany, retail sales volumes plunged a record 8.8% y/y in June as inflation hit consumer spending power.

Financial markets: Global equities were mostly positive after a stronger than expected US jobs report. The S&P500 rose 0.4% w/w in the third straight week of gains, while the Euro Stoxx 50 rose 0.5% w/w. The 10-year US treasury yield rose almost 20 bps w/w to 2.84%. The MSCI GCC tracked global markets higher, up 0.9% w/w with Oman (3%) and Abu Dhabi (2.6%) in the lead while Kuwait was little changed (0.2%).

Oil: Oil prices posted their biggest weekly decline since early April with Brent settling down 13.7% w/w at \$94.9/bbl (+22% ytd), its lowest level since February. The drop came amid fears of slowing oil demand after US data showed a dip in gasoline demand for the last week in July. Meanwhile, OPEC+ agreed to raise output targets by only 100 kb/d for September. The output hike, one of the smallest in OPEC's history, pointed to limited spare capacity available for producers.

MENA Region

Kuwait: Closing accounts for FY21/22 revealed a fiscal deficit of KD2.9 bn, according to media sources. Meanwhile, the CPI rose 4.4% y/y in June, down from 4.5% y/y in May, amid slightly easing y/y rates in the food and core segments.

Saudi Arabia: Government revenues increased by 49% y/y in 2Q22 as oil revenues soared by 89% while spending increased by 16% y/y, leading to a fiscal surplus of SAR77.9 bn, 8% of estimated GDP for Q2. The PMI inched down to 56.3 in July from 57 in June, which was the highest level since October 2021. The output index softened to 59.9 from 61.8 in June, but the employment index rose to 51.3, the highest since September 2019. Purchase prices remained on an uptrend, leading to an ongoing solid rise in output prices (index at 53.4).

UAE: The PMI rose to 55.4 in July from 54.8 in June as business activity picked up on strong demand and higher sales amid some discounting. Domestic bank credit increased 5.3% y/y on rising loans to the private sector and GREs by 6.3% and 23% y/y, respectively, while credit to the government fell 14.0%.

Oman: Fiscal revenues amounted to RO5.3 bn ytd in May, up by 50% y/y, with public spending up 5.7% to RO4.7 bn. This generated a fiscal surplus of RO0.6 bn ytd or 3.8% of estimated GDP, versus a deficit of RO0.9 bn in the same period of 2021.

Egypt: The pound depreciated past the EGP19.0 mark versus the US dollar, partly reflecting ongoing dollar strength but also domestic factors and the absence so far of a funding deal with the IMF. The PMI in July remained below the 50 no change mark but edged up slightly to 46.4 from 45.2 in June, with the jobs component in expansion territory (50.1) for the first time since October 2021. Encouragingly too, the output price index fell markedly to 56.1 from 61.8 in June. Finally, worker remittances rose by 2.1% y/y during the first 5M of 2022 to \$29.1 bn.

Key takeaways:

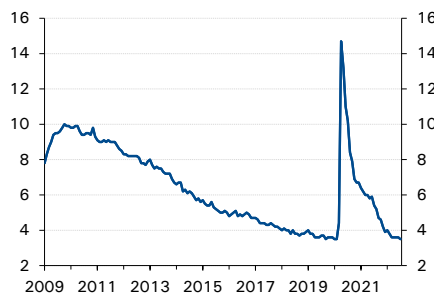
- The strong job gains in the US casts doubt about fears of an imminent recession, and lowers the odds of a Fed pivot in the September meeting, especially if the job momentum is sustained in August. Nevertheless, we think upcoming inflation data for July and August will be more important factors in whether the Fed shifts to a more dovish policy.
- High inflation means that the Bank of England will be compelled to push interest rates up again, albeit probably at a slower pace, over coming months. But its projections of a prolonged UK recession through 2023 point to the possibility that rate cuts could be on the agenda sometime next year.
- PMI activity gauges in the GCC region remain quite close to post-pandemic highs and, unlike equivalent surveys elsewhere especially Europe, in solid expansion territory. High oil prices, improving fiscal positions and smaller spikes in inflation are so far helping to buffer the region against global recession fears.

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



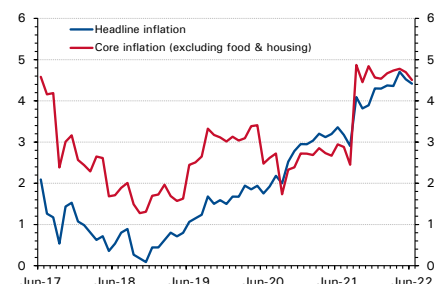
Source: Refinitiv

▶ **Chart 2: US unemployment rate**
(%)



Source: Haver

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



Source: Haver

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,157	-0.3	-15.9
DAX	13,574	0.7	-14.5
DJIA	32,803	-0.1	-9.7
Eurostoxx 50	3,725	0.5	-13.3
FTSE 100	7,440	0.2	0.7
Nikkei 225	28,176	1.3	-2.1
S&P 500	4,145	0.4	-13.0
Regional			
Abu Dhabi SM	9,916	2.6	16.8
Bahrain ASI	1,900	-0.3	5.7
Dubai FM	3,317	-0.6	3.8
Egypt EGX 30	10,043	7.2	-16.0
MSCI GCC	796	0.9	8.0
Kuwait SE	7,733	0.2	9.8
KSA Tadawul	12,292	1.1	9.0
Muscat SM 30	4,667	3.0	13.0
Qatar Exchange	13,377	1.9	15.1

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.84	19.8	132.8
Bunds 10 Year	0.96	13.6	114.0
Gilts 10 Year	2.05	18.8	107.8
JGB 10 Year	0.17	-1.0	9.5
Regional			
Abu Dhabi 2027	3.11	-2.1	48.0
Oman 2027	5.28	-59.5	-74.8
Qatar 2026	3.25	0.4	52.3
Kuwait 2027	3.27	7.4	38.3
Saudi Arabia 2028	3.44	5.9	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	94.9	-13.7	22.0
KEC	101.2	-9.8	28.1
WTI	89.0	-9.7	18.3
Gold	1772.9	0.6	-3.0

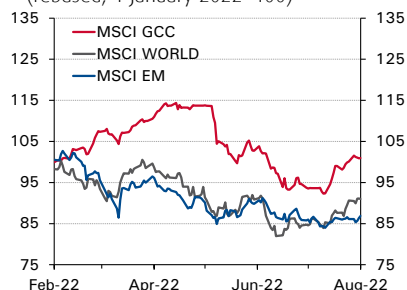
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	4.14	4.9	262.5
Kibor - 3 month	2.38	6.3	87.5
Qibor - 3 month	2.45	0.0	132.5
Eibor - 3 month	2.79	8.6	242.8
Saibor - 3 month	3.02	-9.1	211.0
Libor - 3 month	2.87	7.8	265.8
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	-0.1	1.4
KWD per EUR	0.312	-0.5	-9.2
USD per EUR	1.018	-0.4	-10.4
JPY per USD	135.0	1.3	17.3
USD per GBP	1.207	-0.8	-10.8
EGP per USD	19.06	1.0	21.7

Updated on 5/8/2022

Source: Refinitiv

International equity markets

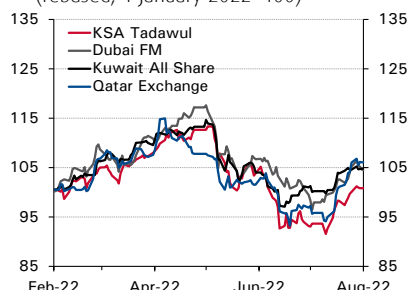
(rebased, 1 January 2022=100)



Source: Refinitiv

GCC equity markets

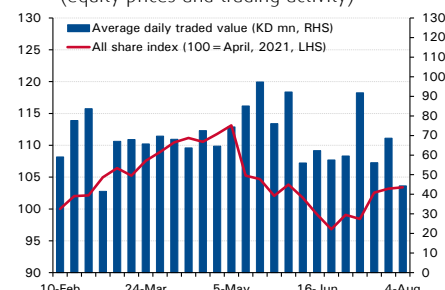
(rebased, 1 January 2022=100)



Source: Refinitiv

Boursa Kuwait

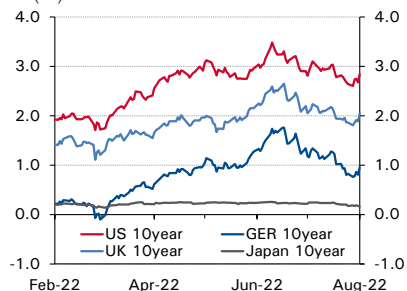
(equity prices and trading activity)



Source: Refinitiv

International bond yields

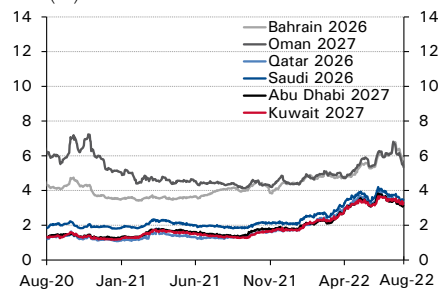
(%)



Source: Refinitiv

GCC bond yields

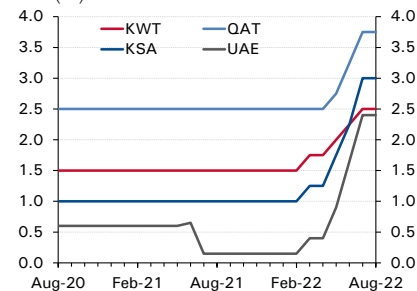
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv