

International and markets

US: Consumer price inflation decelerated to 8.5% y/y through July from 9.1% in June, coming lower than the 8.7% expected. The main driver of that was a 4.6% m/m drop in energy prices, which left the headline index flat for the month. The core index also increased by a lower-than-expected 0.3% m/m in July, tying with March for the smallest monthly increase since September 2021. This kept the y/y increase steady at 5.9% with the goods category up 7% and the services one advancing 5.5%. Moreover, producer price inflation was much weaker than expected for July, dropping by 0.5% m/m, the first monthly fall since April 2020, cutting the y/y increase to 9.8% from 11.3%.

Europe: UK GDP shrank by 0.1% q/q (+2.9% y/y) in 2Q22, the first economic contraction since 1Q21, but smaller than an anticipated decline of 0.2%. The fall was led by lower government spending on COVID-related healthcare activities, besides lower net trade. However, business investments were robust at +3.8% q/q, suggesting that the slowdown is not yet broad-based. Elsewhere in Europe, Germany and Italy recorded marginal easing in headline inflation figures for July (7.5% versus 7.6% and 7.9% versus 8.0%, respectively).

Japan: GDP increased by 1.1% in June compared to May on the back of a strong surge in private consumption (+0.7% m/m).

China: Inflation hit a two-year high in July, rising 2.7% y/y on soaring food prices. Producer price inflation, however, eased to 17-month low of 4.2% y/y amid a drop in commodity prices.

Financial markets: Global equities rallied as a slowdown in US inflation reduced the odds of aggressive monetary tightening and a 'hard landing'. The MSCI ACWI rose 2.5% w/w led by the S&P500 (3.3%) in its fourth straight week of gains, recouping more than 50% of losses since its June low. US 10-year treasury yields were little changed at 2.85%. The MSCI GCC rose 2.0%, led by Abu Dhabi (3.3%) while Kuwait fell a marginal 0.4%.

Oil: Oil prices edged higher with Brent closing at \$98.2/bbl (+3.5% w/w; +26% ytd) on the prospect of higher demand during the winter amid soaring natural gas prices. The International Energy Agency revised its demand growth forecast higher for 2022 by 380 kb/d to 2.1 mb/d, mainly due to gas-to-oil switching. In contrast, OPEC slashed its forecast by 260 kb/d to 3.1 mb/d, expecting oil markets to tip into surplus in 3Q22.

MENA Region

Kuwait: In a surprise move, the central bank raised the discount rate by 25 bps to 2.75%, bringing cumulative hikes to

125 bps since March. The bank's repo rates also rose 25 bps. Meanwhile, credit fell in June, entirely due to lending for securities purchase normalizing after the spike in May. Excluding securities purchase, credit was up a solid 0.9% in June with the y/y increase at 9.1% as business credit increased 6.2% y/y and household credit 13.8%. The media reported that the government's budget could record a sizable surplus in FY22/23 as the average Kuwait Export Crude price was at \$113/bbl, well above the breakeven price of \$79/bbl in the budget draft.

UAE: The government recorded a fiscal surplus of AED34.6 bn (7.7% of GDP) in 1Q22, more than trebling compared to 1Q21 (AED11.1 bn, 2.9% of GDP) as revenues increased by 39% y/y driven by a 65% y/y rise in oil prices. Expenditures, on the other hand, rose by 14.5% y/y on higher current spending.

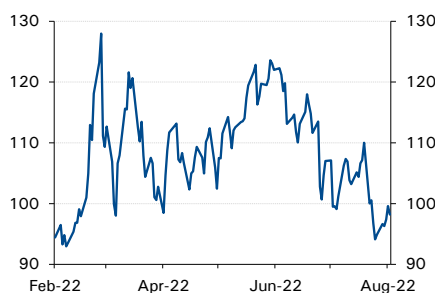
Oman: Surging oil revenues more than offset an 8.6% y/y rise in government spending, giving Oman a fiscal surplus of OMR 784mn (\$2.0bn) in 1H22. The Sultanate could see its first surplus in a decade in 2022 at 6.5% of GDP, according to Fitch.

Egypt: The Saudi sovereign wealth fund (PIF) acquired minority stakes in four EGX-listed companies for USD 1.3 bn. Urban inflation inched up to a higher-than-expected rate of 13.6% y/y in July compared to 13.2% in June on rising food prices.

Key takeaways:

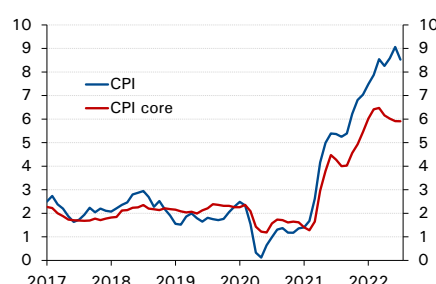
- The softer than expected July US CPI figure fueled hopes that inflation may have passed its peak. Should August see a continued deceleration, a 0.75% rate hike by the Fed in its September meeting will likely be off the table.
- The slight drop in UK GDP in Q2 was driven by temporary Covid-related factors which will not be present in Q3. However, the UK faces more lasting weakness and likely a significant recession later this year as high fuel and energy prices put major pressure on household incomes.
- The rise in policy interest rates in Kuwait can be seen in the context of a comparatively modest pace of tightening so far this year, versus that of the US Fed. Given high oil prices and strength in bank lending, we continue to expect the economy to be able to withstand the impact of tighter monetary policy relatively well going forward.
- Although the Egyptian pound has declined recently versus the strong US dollar, ongoing GCC investment deals offer critical underlying support for the currency and the economy. They will also help pave the way for a fresh deal with the IMF over coming months, still needed to address the country's large external financing requirement.

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



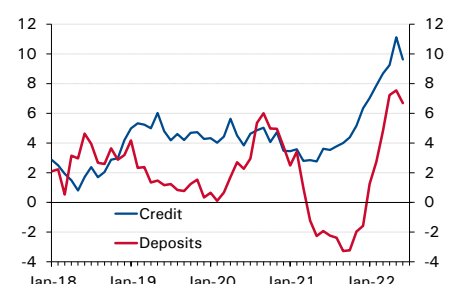
Source: Refinitiv

▶ **Chart 2: US Inflation**
(%)



Source: Haver

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



Source: Central Bank of Kuwait

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,191	0.8	-15.2
DAX	13,796	1.6	-13.2
DJIA	33,761	2.9	-7.1
Eurostoxx 50	3,777	1.4	-12.1
FTSE 100	7,501	0.8	1.6
Nikkei 225	28,547	1.3	-0.9
S&P 500	4,280	3.3	-10.2
Regional			
Abu Dhabi SM	10,246	3.3	20.7
Bahrain ASI	1,898	-0.1	5.6
Dubai FM	3,395	2.3	6.2
Egypt EGX 30	9,989	-0.5	-16.4
MSCI GCC	813	2.0	10.2
Kuwait SE	7,699	-0.4	9.3
KSA Tadawul	12,531	1.9	11.1
Muscat SM 30	4,622	-1.0	11.9
Qatar Exchange	13,744	2.7	18.2

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.85	0.9	133.7
Bunds 10 Year	0.99	2.9	116.9
Gilts 10 Year	2.11	6.1	113.9
JGB 10 Year	0.19	2.4	11.9
Regional			
Abu Dhabi 2027	3.13	1.9	75.2
Oman 2027	5.10	-18.6	16.0
Qatar 2026	3.32	6.8	90.0
Kuwait 2027	3.26	-1.2	89.8
Saudi Arabia 2028	3.53	9.7	67.2
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	98.2	3.4	26.2
KEC	105.8	4.6	33.9
WTI	92.1	3.5	22.4
Gold	1798.6	1.4	-1.6

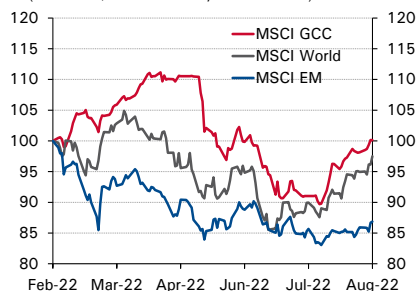
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	4.14	0.0	262.5
Kibor - 3 month	2.50	12.5	100.0
Qibor - 3 month	2.45	0.0	132.5
Eibor - 3 month	2.78	-1.5	241.4
Saibor - 3 month	3.02	0.9	211.8
Libor - 3 month	2.92	5.5	271.2
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	0.0	1.4
KWD per EUR	0.315	0.7	-8.5
USD per EUR	1.026	0.8	-9.8
JPY per USD	133.5	-1.1	16.0
USD per GBP	1.213	0.5	-10.3
EGP per USD	19.12	0.3	22.1

Updated on 12/8/2022

Source: Refinitiv

International equity markets

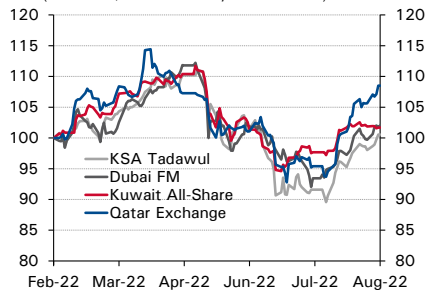
(rebased, 18 February 2022=100)



Source: Refinitiv

GCC equity markets

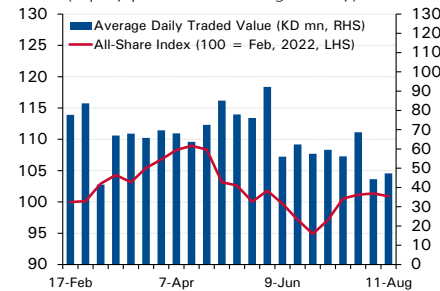
(rebased, 17 February 2022=100)



Source: Refinitiv

Bursa Kuwait

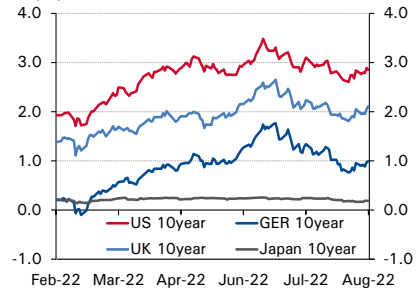
(equity prices and trading activity)



Source: Refinitiv

International bond yields

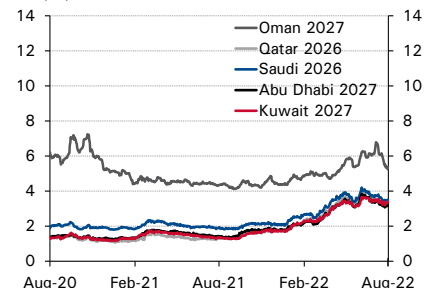
(%)



Source: Refinitiv

GCC bond yields

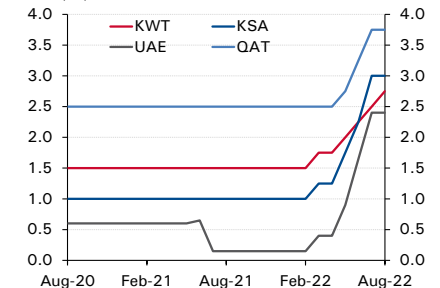
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv