

International and markets

US: GDP growth in 1Q23 slowed to 1.1% q/q (annualized) from 2.6% in 4Q22, below the consensus forecast of a 1.9% rise. The strong growth in personal consumption to a near two-year high of 3.7% from 1.0% in 4Q22 was partially offset by a weaker performance in gross private fixed investment (to -12.5% from 4.5%). Meanwhile, core PCE inflation softened to 4.6% y/y (+0.3% m/m) in March from 4.7% in February, with core services (ex-housing) moderating to 4.4% from 4.7%. Meanwhile, initial weekly jobless claims reversed the rising trend, falling to 230K from 246K. Finally, the banking crisis resurfaced after the already troubled First Republic Bank struggled to retain deposits despite the support of large US banks; regulators are now looking to find buyers for the bank.

Eurozone: GDP grew by 1.3% y/y in 1Q23, below the previous quarter's 1.8% and the market's forecast of 1.4%. On a quarterly basis, GDP rose by 0.1% q/q, slightly lower than the 0.2% that was expected by the market. Meanwhile, the composite PMI came in at 54.4 in April – the highest in almost a year – and up on the previous month's 53.7. Services was up to 56.6 from 55.0 in March and continued to outperform manufacturing, which dipped to 45.5 from March's 47.3.

UK: Inflation eased to 10.1% y/y (+0.8% m/m) in March from 10.4% in February, but was higher than market forecasts of 9.8%. The core rate was unchanged at 6.2%. The composite PMI rose to 53.9 in April from 52.6 in March, with services increasing to 54.9 from 52.9 in March while manufacturing dipped to 46.6 from 47.9 the previous month.

Japan: CPI inflation was unchanged at +3.1% y/y, remaining significantly above the BOJ's 2% target.

China: The official composite PMI softened from its record peak in March to 54.4 in April as manufacturing activity slowed (49.2) on subdued global demand. The non-manufacturing PMI remained solid at 56.4, though slightly lower than in March.

Financial markets: Global equity markets whipsawed last week between renewed banking sector fears and strong corporate earnings, posting a small rise (MSCI AC World: +0.3% w/w). The S&P 500 rose 0.9%, but the Eurostoxx 50 fell 1.1%. The risk-off sentiment pushed the 10-year UST yield down 12 bps w/w to 3.45%, with firmed expectations of a 25 bps Fed hike this week. Regional stocks fared relatively better, with Dubai (+2.1%) and Qatar (+2%) leading the gains, while Kuwait's All Share rose a modest 0.6%.

Oil: Despite gaining over the last two days of the week on energy firms' positive earnings data and signs of strengthening

US oil demand, Brent closed down for the second week in a row on Friday, falling 2.6% w/w to \$79.5/bbl (-7.4% ytd). Worries about banking sector fallout and global economic weakness continue to dominate market sentiment.

MENA Region

Kuwait: CPI inflation rose to 3.7% y/y (+0.7% m/m) in March from 3.2% in February amid a broad-based increase in prices. Core inflation (excludes food and housing) rose to 3.2% y/y (+0.5% m/m). Meanwhile, the government could submit the decree for dissolving the 2020 parliament this week, with the estimated date for holding new elections likely to be June, according to media sources.

UAE: Domestic credit rose by 2.0% y/y in January 2023 on 5.0% growth in private sector credit while credit to the government and GREs fell by 6.8% and 1.8% y/y, respectively. Dubai's real estate transactions (value) were up by 80% y/y in 1Q23. The volume of transactions rose by 49%, with non-resident investors accounting for 45% of total acquisitions.

Egypt: S&P cut its outlook on government debt to negative, though kept Egypt's rating unchanged at "B". The agency cited the urgent need for reforms (flexible exchange rate and reducing the state footprint) to increase USD proceeds. It estimates the external financing gap to be \$17bn and \$20bn for FY22/23 and FY23/24, respectively. S&P expects the EGP to decline 53% in FY22/23 and further in the years ahead.

Key takeaways:

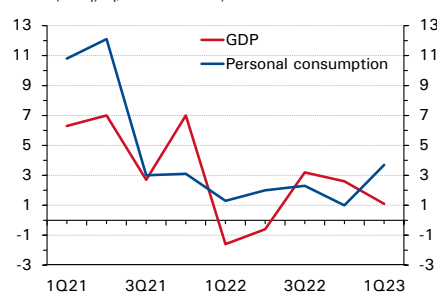
- Although the US economy is set to slow further in the coming quarters, Q1's robust consumer spending figures and a strong labor market provide hope that it will avoid a painful, protracted downturn.
- UK inflation remains sticky even by European standards as a decline gasoline costs in March was offset by a strong rise in food prices. This puts the Bank of England in a tighter spot, with a rate hike seen in May but now also potentially in June.
- Recent oil price weakness is due largely to ongoing global recession worries amid mixed economic data. But OPEC+ cuts have yet to kick-in and Chinese consumption has plenty more room for growth, so the market should materially tighten over the coming months, with prices firming as a result.
- Egypt's debt outlook downgrade came in line with our expectations, as government reform progress has been slow over the last few months and FX liquidity shortage has resurfaced. The EGP remains under pressure, trading at EGP35-37/\$1 in the parallel market versus EGP31 official.

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



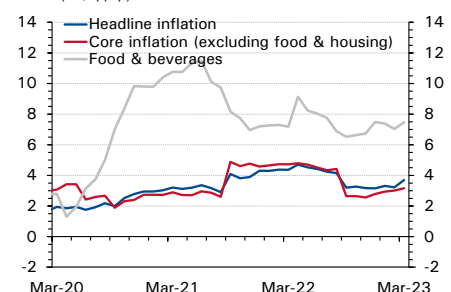
Source: Refinitiv

▶ **Chart 2: US GDP**
(% q/q, annualized)



Source: Haver

▶ **Chart 3: Kuwait CPI inflation**
(%, y/y)



Source: Haver

Key data

| Stock markets | Index | Change (%) | |
|----------------------|--------|------------|------|
| | | 1-week | YTD |
| International | | | |
| CSI 300 | 4,029 | -0.1 | 4.1 |
| DAX | 15,922 | 0.3 | 14.4 |
| DJIA | 34,098 | 0.9 | 2.9 |
| Eurostoxx 50 | 4,359 | -1.1 | 14.9 |
| FTSE 100 | 7,871 | -0.6 | 5.6 |
| Nikkei 225 | 28,856 | 1.0 | 10.6 |
| S&P 500 | 4,169 | 0.9 | 8.6 |
| Regional | | | |
| Abu Dhabi SM | 9,789 | 1.6 | -4.1 |
| Bahrain ASI | 1,895 | 0.5 | 0.0 |
| Dubai FM | 3,545 | 2.1 | 6.3 |
| Egypt EGX 30 | 17,797 | 1.6 | 21.9 |
| MSCI GCC | 701 | 1.0 | 1.5 |
| Kuwait SE | 7,163 | 0.6 | -1.8 |
| KSA Tadawul | 11,271 | 1.0 | 6.9 |
| Muscat SM 30 | 4,735 | -0.2 | -2.8 |
| Qatar Exchange | 10,145 | 2.0 | -5.0 |

| Bond yields | % | Change (bps) | |
|----------------------|---------|--------------|-------|
| | | 1-week | YTD |
| International | | | |
| UST 10 Year | 3.45 | -12.0 | -37.9 |
| Bunds 10 Year | 2.32 | -16.6 | -24.2 |
| Gilts 10 Year | 3.72 | -4.1 | 4.8 |
| JGB 10 Year | 0.40 | -6.9 | -2.0 |
| Regional | | | |
| Abu Dhabi 2027 | 3.95 | -18.8 | -27.9 |
| Oman 2027 | 5.48 | -14.6 | -50.7 |
| Qatar 2026 | 4.06 | -24.5 | -42.3 |
| Kuwait 2027 | 3.94 | -7.4 | -33.0 |
| Saudi Arabia 2028 | 4.30 | -17.7 | -37.3 |
| Commodities | | | |
| | \$/unit | Change (%) | |
| | | 1-week | YTD |
| Brent crude | 79.5 | -2.6 | -7.4 |
| KEC | 80.9 | -2.5 | -1.3 |
| WTI | 76.8 | -1.4 | -4.3 |
| Gold | 1990.1 | 0.5 | 9.4 |

| Interbank rates | % | Change (bps) | |
|------------------|------|--------------|------|
| | | 1-week | YTD |
| Bhbor - 3 month | 6.42 | 3.9 | 27.6 |
| Kibor - 3 month | 4.25 | 0.0 | 25.0 |
| Qibor - 3 month | 5.88 | 20.0 | 59.2 |
| Eibor - 3 month | 4.99 | -26.1 | 68.1 |
| Saibor - 3 month | 5.70 | -10.3 | 48.4 |
| Libor - 3 month | 5.30 | 4.1 | 53.5 |
| Sofr - 3 month | 5.08 | 2.6 | 49.4 |

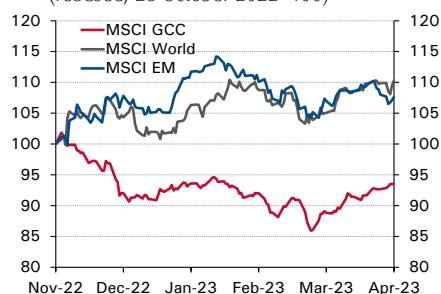
| Exchange rates | rate | Change (%) | |
|----------------|-------|------------|------|
| | | 1-week | YTD |
| KWD per USD | 0.306 | 0.0 | 0.2 |
| KWD per EUR | 0.338 | 0.6 | 3.2 |
| USD per EUR | 1.102 | 0.3 | 3.0 |
| JPY per USD | 136.3 | 1.6 | 3.9 |
| USD per GBP | 1.257 | 1.1 | 3.9 |
| EGP per USD | 30.85 | 0.0 | 24.7 |

Updated on 28/4/2023

Source: Refinitiv

International equity markets

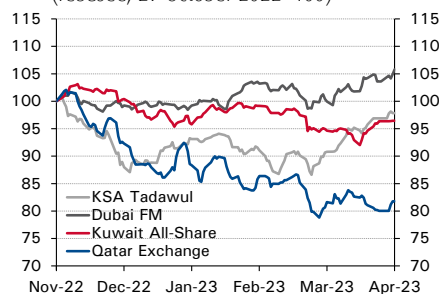
(rebased, 28 October 2022=100)



Source: Refinitiv

GCC equity markets

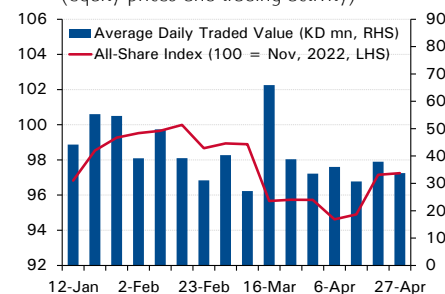
(rebased, 27 October 2022=100)



Source: Refinitiv

Boursa Kuwait

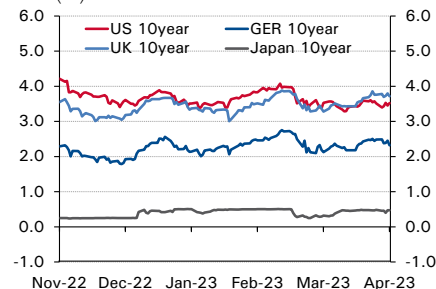
(equity prices and trading activity)



Source: Refinitiv

International bond yields

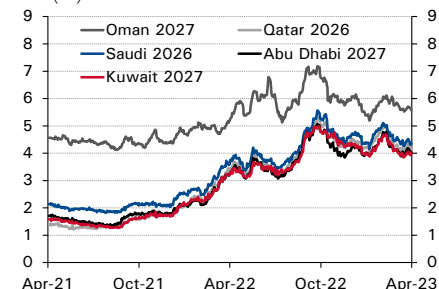
(%)



Source: Refinitiv

GCC bond yields

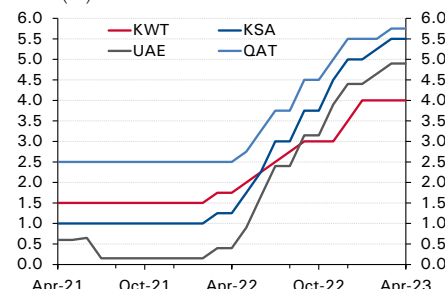
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv