

International and markets

US: Consumer price inflation accelerated to 8.5% y/y through March from 7.9% in February, the highest since December 1981. The core rate was up by 0.3% m/m in March, resulting in a 6.5% y/y increase with the goods category up 11.7% y/y and the services one advancing 4.7%. The monthly increase in the core rate came lower than expected and was the lowest reading since September 2021. Meanwhile, retail sales increased by 0.5% m/m in March, in line with consensus expectations, while February's growth was revised to 0.8% from 0.3%. Finally, the University of Michigan consumer sentiment index beat expectations by a wide margin as it jumped to 65.7 in April (59.4 in March) driven by a sharp improvement in personal financial expectations as well as the year-ahead outlook for the economy.

Europe: The European Central Bank opted to maintain its existing policy tightening plan, despite worries about upside inflation risks (currently 7.5% y/y). The bank currently plans to end asset purchases in 3Q22 and raise interest rates 'sometime after'. Slow policy tightening versus the US Fed plus the Ukraine war impact on Europe pushed down the euro to a near two-year low of \$1.08/€1 last week. Meanwhile, UK CPI inflation hit a 30-year high of 7.0% y/y in March (6.2% in February), driven in particular by surging petrol costs. It is likely to jump above 9% in April as scheduled utility price hikes kick-in.

China: Both consumer price inflation (+1.5% y/y) and producer price inflation (+8.3%) came higher than expected, highlighting key pressures due to the Russia-Ukraine war. The central bank, however, was undeterred by the uptick as it cut the reserve requirement ratio by 25bps (effective April 25) in an attempt to spur growth amid the global macroeconomic headwinds.

Financial markets: Global equity markets fell amid increasingly hawkish Fed comments. The MSCI AC World fell 1.5% w/w led by a 2.1% decline in the S&P500. The 10-year treasury yield rose 12 bps to 2.83%, the highest in more than 3 years. In contrast, the MSCI GCC rose 1.1% supported by good earnings, led by KSA (2.3%) while Kuwait gained 0.6%.

Oil: Brent was up 8.7% for the week to stand at \$111.7/bbl (+44% ytd), having rallied on fears of reduced Russian supply (possibly up to 3 mb/d in May) due to potential sanctions as the EU discusses a phased-in ban on Russian oil. Major trading companies are expected to reduce purchases from Russian oil companies as early as 15 May in a customer-driven embargo. Meanwhile, both the IEA and OPEC have cut their demand forecasts in response to the lockdowns in China and potentially

weaker global economic growth, by 260 kb/d and 480 kb/d, respectively.

MENA Region

Kuwait: Mostly driven by business lending, domestic credit growth was strong in February (+1.1%), resulting in a 7.9% y/y increase. For the second straight month, business credit expansion was solid, pushing the y/y increase to 3.6%, while monthly household credit growth softened further though the y/y increase is at a multi-year high of 13.4%.

Saudi Arabia: Inflation picked up to 2% y/y through March from 1.6% in February, driven by higher price increases in the food/beverages, transport, and housing rental components.

UAE: The Dubai PMI climbed to 55.5 in March from 54.1 in February, the highest level in 33 months with new orders increasing as pandemic restrictions eased and Expo 2020 created strong tourism demand. The Ministry of Economy approved a new policy to monitor basic consumer goods prices where suppliers could increase prices if import costs rise but only after the ministry's approval.

Egypt: Inflation rose to its highest level in almost three years to record 10.5% y/y in March from 8.8% in February, mainly due to the war in Ukraine. Meanwhile, net international reserves declined for the first time since the early days of the pandemic to stand at \$37.1 billion in March (\$41.0 billion in February).

Key takeaways:

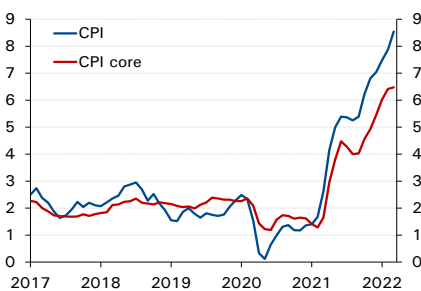
- The softening of the monthly increase in the core CPI in the US (the rise in March was nearly half the average increase of the prior five months), coupled with base effects from last year could indicate that y/y core inflation is close to peaking.
- While the ECB did not speed up its planned pace of policy tightening, comments by bank President Lagarde on the risk of inflation expectations becoming 'de-anchored' hint at a more hawkish tilt ahead. That policy shift may occur at the June 9 meeting, when new inflation projections are presented.
- Likely driven by pent-up capex demand, relaxation of most pandemic-related restrictions, elevated oil prices, and improving non-oil growth, business credit growth in Kuwait has started the year on a strong note (+2.8% YTD), auguring well for overall credit growth in 2022.
- After bottoming out in August 2021 at 0.3% y/y, inflation in Saudi has crept gradually higher and will likely edge up further given elevated commodity prices and expected incremental price pressures in housing rentals.

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



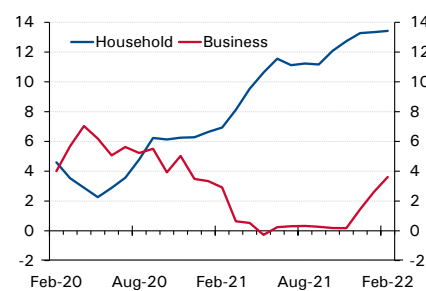
Source: Refinitiv

▶ **Chart 2: US inflation**
(% y/y)



Source: Haver

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



Source: CBK

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,189	-1.0	-15.2
DAX	14,164	-0.8	-10.8
DJIA	34,451	-0.8	-5.2
Eurostoxx 50	3,849	-0.3	-10.5
FTSE 100	7,616	-0.7	3.1
Nikkei 225	27,093	0.4	-5.9
S&P 500	4,393	-2.1	-7.8
Regional			
Abu Dhabi SM	9,970	-1.2	17.5
Bahrain ASI	2,101	-1.0	16.9
Dubai FM	3,602	1.7	12.7
Egypt EGX 30	10,680	-3.8	-10.6
MSCI GCC	897	1.1	21.7
Kuwait SE	8,313	0.6	18.0
KSA Tadawul	13,621	2.3	20.7
Muscat SM 30	4,239	0.7	2.7
Qatar Exchange	14,125	0.3	21.5

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.83	12.4	131.6
Bunds 10 Year	0.84	12.9	101.8
Gilts 10 Year	1.89	13.8	91.8
JGB 10 Year	0.24	1.4	16.9
Regional			
Abu Dhabi 2027	3.08	16.4	48.0
Oman 2027	4.85	19.7	-74.8
Qatar 2026	3.12	13.6	52.3
Kuwait 2027	3.02	7.6	38.3
Saudi Arabia 2028	3.47	11.4	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	111.7	8.7	43.6
KEC	110.4	8.2	39.7
WTI	107.0	8.8	42.2
Gold	1970.9	1.5	7.8

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.91	0.0	39.7
Kibor - 3 month	1.69	0.0	18.8
Qibor - 3 month	1.15	0.0	2.5
Eibor - 3 month	1.12	6.0	75.6
Saibor - 3 month	2.39	1.6	148.5
Libor - 3 month	1.06	5.2	85.4
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.305	0.1	0.9
KWD per EUR	0.340	0.0	0.0
USD per EUR	1.081	-0.6	-4.9
JPY per USD	126.4	1.6	9.8
USD per GBP	1.306	0.2	-3.5
EGP per USD	18.35	0.3	17.2

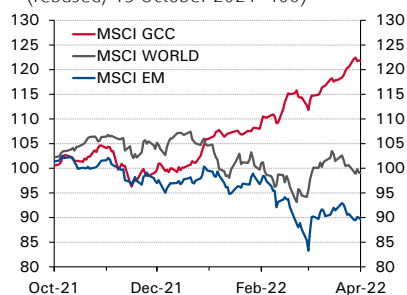
* KEC as of 14/4/2022

Updated on 15/4/2022

Source: Refinitiv

International equity markets

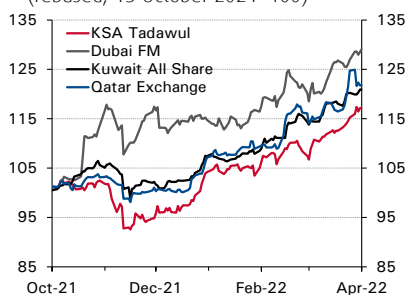
(rebased, 15 October 2021=100)



Source: Refinitiv

GCC equity markets

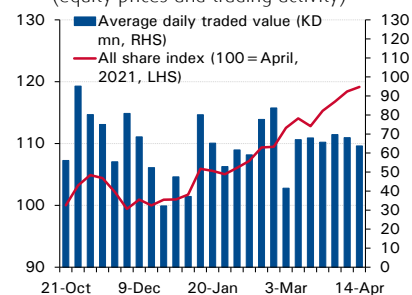
(rebased, 15 October 2021=100)



Source: Refinitiv

Bursa Kuwait

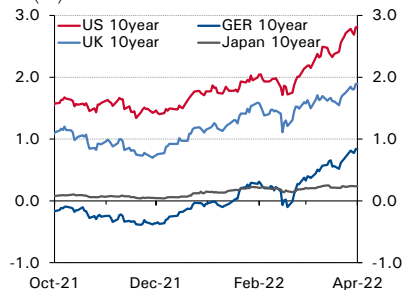
(equity prices and trading activity)



Source: Refinitiv

International bond yields

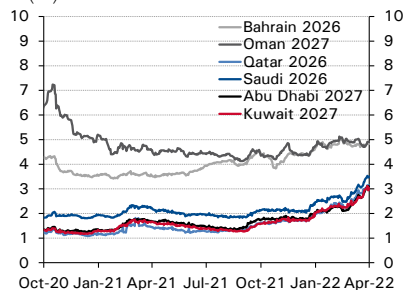
(%)



Source: Refinitiv

GCC bond yields

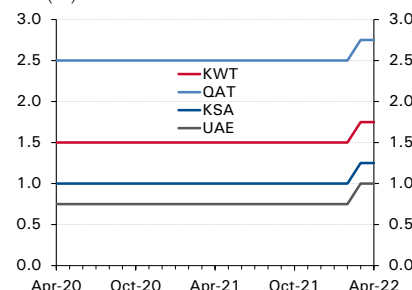
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv