

International and markets

US: The ISM PMI indicated that manufacturing activities in February remained in contraction for the fourth consecutive month at 47.7 from 47.4 in January as the deterioration in new orders eased, but prices rebounded to a five-month high at 51.3. The services PMI edged down to 55.1, with the new orders index rising to its highest level since November 2021 and input prices moderating to a still-elevated 65.6. In a further sign of the continued tight labor market, weekly jobless claims fell by 2K to 190K, lower than the 2019 pre-pandemic average of 220K, with continuing claims dropping 5K to 1.655mn.

Europe: The Eurozone CPI rose by 8.5% y/y in February, higher than market forecasts of 8.2%, but still below January's 8.6%. On a monthly basis, inflation came at 0.8% reversing the 0.2% fall recorded in January. Core inflation came at 5.6% compared to 5.3% in January and a market forecast of 5.3%. Core CPI m/m rose 0.8% versus -0.8% the previous month. Meanwhile, the Eurozone composite PMI rose to 52.0, below forecasts but still higher than previous month's 50.3. Similarly, the services PMI came at 52.7 versus 53 expected but also higher than the previous month's 50.8. In the UK, both the composite and services PMIs showed strong recoveries at 53.1 and 53.5, respectively, well above 48.5 and 48.7 in January.

China: The official composite PMI data jumped to record of 56.4 in February. Meanwhile, the government set a GDP growth target of "around 5%", the lowest in its history, for 2023.

Financial markets: Global equity markets rose last week, led by Euro STOXX 50 (+2.8%), while the S&P 500 jumped +1.9% as expectations of a softer landing for the US economy boosted optimism amid ongoing Fed tightening. Benchmark bond yields in the US and Europe went up too. GCC markets tracked oil prices higher, with gains led by Oman (+3.7%) and Qatar (+1.4%). Meanwhile, Kuwait was relatively flat (+0.3%).

Oil: Brent notched up a second week of gains on Friday, rising 3.2% w/w to \$85.8/bbl on positive economic recovery indicators out of China and despite a news story, later disputed, of the UAE's intention to leave OPEC. Markets were also unperturbed by a tenth consecutive week of US crude stock builds amid broader 'risk-on' sentiments.

MENA Region

Saudi Arabia: The PMI reached 59.8 in February, the highest level in eight years as output and new orders indices rallied to multi-year highs. The Shareek program unveiled the first batch

of projects worth SAR192bn, by eight companies across four sectors, aiming to create 64k jobs by 2040.

UAE: The PMI increased marginally to 54.3 in February on a sharp output acceleration, mainly on new projects and higher sales. Domestic credit eased in December 2022, rising by 2% y/y compared with 3.2% in November on declining public sector lending (-3.4%), while private sector credit remained strong at 4.7% y/y. Dubai's inflation eased in January to 4.6% y/y from 5.2% in December mainly due to transportation (4.6% versus 10.4% in December), while housing services inched up to 4.4%.

Bahrain: Preliminary closing accounts show the fiscal deficit shrinking to BHD178mn in 2022, approximately 1% of GDP, as both oil (+58% y/y) and non-oil (+15% y/y) revenues surged.

Egypt: The PMI remained well below the 50 benchmark at 46.9 in February, signaling a strong contraction in output as firms continue to suffer from a mix of weakening demand and a sharp rise in prices on the back of the continuous rounds of EGP devaluation. The government raised octane prices by 7-11%, fuel oil prices by 20%, while diesel prices remained unchanged. It noteworthy that Brent crude prices fell by 11% since October 2022 while the pound has lost 21% of its value leaving a net impact of 10% as a rise in fuel costs. Meanwhile, banking sector net foreign liabilities widened to \$21.7bn in on the back of commercial banks' liabilities increasing by \$1.4bn to \$13.1bn.

Key takeaways:

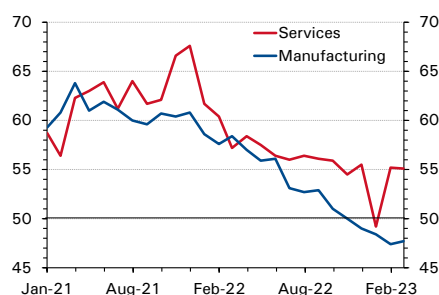
- The solid ISM service sector report and continued strength in the labor market indicate that the US economy may be able to avoid a recession this year. However, renewed pricing pressures and further Fed tightening remain major risks.
- Even though February inflation rates in the Eurozone slowed compared to January, they are still well above the long-term target of the ECB (2%). The ECB president has indicated that another 50bps rate hike could take place later this month.
- Bahrain's budget deficit could widen in 2023 given lower expected oil and aluminum prices, putting greater emphasis on the government controlling spending to achieve the Fiscal Balance Program goals.
- Egypt's widening net foreign liability gap coincides with the relative lack of progress in attracting GCC investments so far. The widening gap (15%) between the official (EGP30.7/\$) and 1yr NDFs (36) exchange rates in addition to the rise of the black market are all indications that the currency will remain under pressure over coming weeks, until the gap is closed.

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



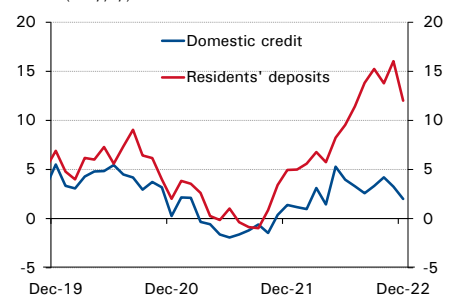
Source: Refinitiv

▶ **Chart 2: US ISM PMI**



Source: Haver

▶ **Chart 3: UAE credit and deposits**
(% y/y)



Source: Haver

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,131	1.7	6.7
DAX	15,578	2.4	11.9
DJIA	33,391	1.7	0.7
Eurostoxx 50	4,295	2.8	13.2
FTSE 100	7,947	0.9	6.6
Nikkei 225	27,927	1.7	7.0
S&P 500	4,046	1.9	5.4
Regional			
Abu Dhabi SM	9,907	0.5	-3.0
Bahrain ASI	1,930	-0.5	1.8
Dubai FM	3,420	0.0	2.5
Egypt EGX 30	16,847	-0.9	15.4
MSCI GCC	673	1.0	-2.6
Kuwait SE	7,287	0.3	-0.1
KSA Tadawul	10,278	1.2	-2.5
Muscat SM 30	4,821	3.7	-1.1
Qatar Exchange	10,622	1.4	-0.6

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.96	1.4	13.2
Bunds 10 Year	2.71	18.5	15.2
Gilts 10 Year	3.86	19.8	18.6
JGB 10 Year	0.50	0.4	8.6
Regional			
Abu Dhabi 2027	4.65	23.3	10.0
Oman 2027	5.98	18.3	-0.2
Qatar 2026	4.90	21.7	9.5
Kuwait 2027	4.57	10.7	7.0
Saudi Arabia 2028	5.01	19.5	7.3
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	85.8	3.2	-0.1
KEC	84.7	1.5	3.2
WTI	79.7	4.4	-0.7
Gold	1847.7	2.2	1.5

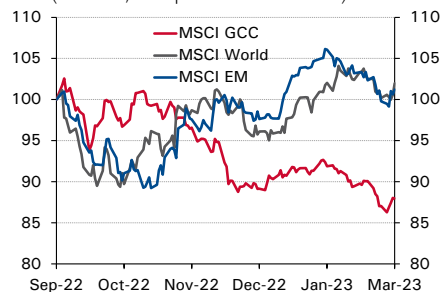
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	6.30	0.0	15.7
Kibor - 3 month	4.25	0.0	25.0
Qibor - 3 month	5.20	0.0	-8.3
Eibor - 3 month	4.80	38.9	48.7
Saibor - 3 month	5.49	-9.1	27.9
Libor - 3 month	4.98	3.1	21.7
Sofr - 3 month	4.94	9.3	35.2
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	0.0	0.4
KWD per EUR	0.326	0.4	-0.3
USD per EUR	1.063	0.8	-0.7
JPY per USD	135.9	-0.4	3.6
USD per GBP	1.204	0.8	-0.5
EGP per USD	30.77	0.6	24.4

Updated on 3/3/2023

Source: Refinitiv

International equity markets

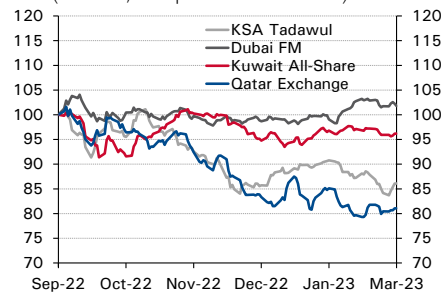
(rebased, 9 September 2022=100)



Source: Refinitiv

GCC equity markets

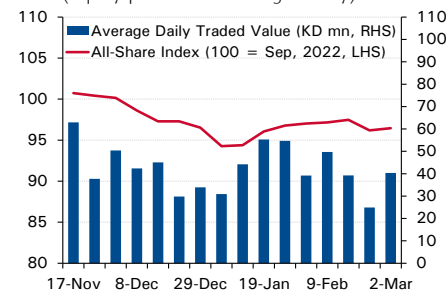
(rebased, 8 September 2022=100)



Source: Refinitiv

Boursa Kuwait

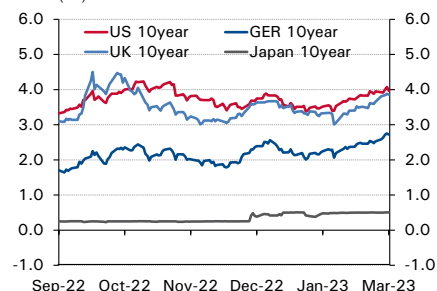
(equity prices and trading activity)



Source: Refinitiv

International bond yields

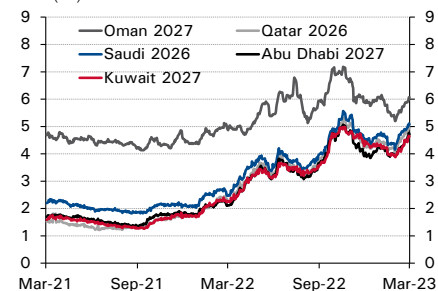
(%)



Source: Refinitiv

GCC bond yields

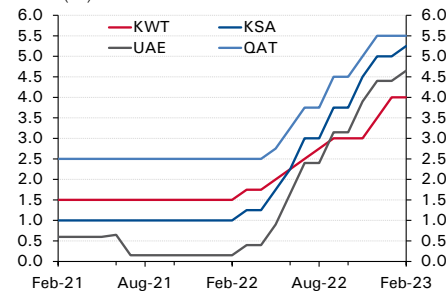
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv