

International and markets

US: In line with commentary delivered by many Fed officials in the past few weeks, Fed Chair Powell delivered hawkish comments, mentioning that they need to see “inflation coming down in a convincing way” and not nuanced signs that inflation is cooling. Meanwhile, retail sales data came on the strong side, increasing by 0.9% m/m in April, while March was revised to +1.4% from +0.5%. Excluding vehicles and gas, sales increased by 1% in April, beating estimates, with March sales revised strongly upwards. Similarly, manufacturing output beat expectations in April, rising by 0.8% m/m. On the other hand, both housing starts and permits came on the weak side in April, likely impacted by rising mortgage rates.

Europe: Inflationary pressures across the continent continue to escalate. In Germany, producer prices rose by a record 33.5% y/y in April, led by rising energy prices, but ex-energy also hit a record 16.3%, signaling further pipeline price pressures in the economy. In the UK, consumer price inflation leapt to a 40-year high of 9% in April (7.0% March) on a rise in regulated household energy costs, while the core rate reached 6.2%. But for now, evidence on the broader health of the consumer sector is mixed: consumer confidence fell to an all-time low in May, but spending volumes unexpectedly rose 1.4% m/m in April.

China: Strict lockdowns in major cities have severely hit both demand and supply, with retail sales (-11.1% y/y) and industrial production (-2.9%) falling in April. Fueled by concerns of a softening economy, the central bank cut the 5-year loan prime rate (mainly used to price mortgages) by 15 bps to 4.45% in a bid to inject some measured stimulus.

Financial markets: Ongoing inflation, monetary tightening, and recession fears dragged most global equity markets lower, with the MSCI ACWI down 1.7% w/w led by the S&P500 (-3%) which fell for the seventh consecutive week. The 10-year treasury yield fell 14 bps to 2.79% on increased safe haven demand. The MSCI GCC followed suit, down 3% w/w led by Abu Dhabi (-4.6%) and Saudi Arabia (-3.2%), while Kuwait's All-share fell a marginal 0.5%. Emerging markets outperformed, lifted by China (CSI 300 +2.2%) as it cut its key interest rate.

Oil: Brent closed up 0.9% w/w at \$112.6 (+45% ytd), with increased focus on a tight refined products market, especially gasoline, offsetting global economic recession fears. In China, the world's largest crude oil importer, a rate cut by the central bank and moves to replenish strategic oil reserves raised oil demand prospects, though the news that China was sourcing

cheap Russian supplies, skirting Western sanctions and easing supply worries, sent prices lower in early Friday trading.

MENA Region

Kuwait: Media sources reported that preliminary results indicate a fiscal deficit of KD3.6 billion in FY21/22, in line with our forecast of KD3.5 billion (8.5% of GDP), and down from an estimated deficit of KD12.1 billion in the budget. Meanwhile, real estate sales rose to an 8-month high of KD392 million (+57% y/y) in April driven primarily by a rare surge in commercial sector transactions to a record KD161mn. The latter stemmed from increased land offerings in the Sabah Al-Ahmad area.

Saudi Arabia: Inflation reached 2.3% y/y in April, up from 2% in March on food price increases (+4.3% y/y, 3% m/m), which has close to 19% weight in the CPI basket. Meanwhile, the fiscal balance flipped into a surplus of SAR 57 billion (estimated at 6% of GDP) in 1Q22 as government revenues expanded by 36% y/y with oil revenues surging 58% and non-oil revenues rose by 7%, while spending increased by 4%.

Egypt: The central bank increased key interest rates by 200bps, more than the consensus of 100bps, taking the overnight deposit rate and the lending rate to 11.25% and 12.25%, respectively, following 13.1% y/y inflation print for April.

Key takeaways:

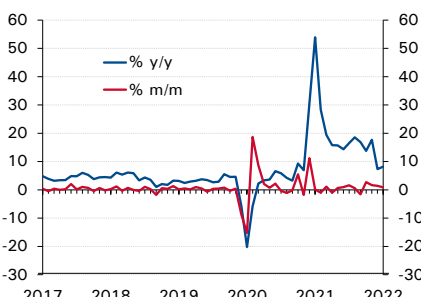
- Despite the headwinds, the US economy continues to be relatively robust with current estimates pointing to a rebound in growth in 2Q22 to around 2% to 3%, following the trade and inventory-induced contraction seen in 1Q22.
- The Covid-19 outbreak and China's strict zero tolerance policy has put the economy under immense strain reflected in the latest sales and production numbers for April. GDP growth is seen falling below the government's target of 5.5% this year.
- As the rout in global markets deepens, GCC equities have started to react to global pressures despite still high oil prices. These trend could weigh until recession and monetary tightening concerns are eased.
- Kuwait's real estate sales in the past few months points to a continued rotation of capital away from a peaking residential sector, as the investment and commercial sectors gain traction following a prolonged period of weakness.
- The Egyptian central bank's aggressive rate hike is aimed at containing inflation and potential currency market pressures. A further 100bps or more hike is seen at the June meeting.

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



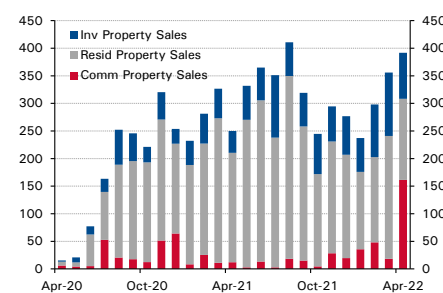
Source: Refinitiv

▶ **Chart 2: US Retail sales**



Source: Refinitiv

▶ **Chart 3: Kuwait Real estate sales**
(KD million)



Source: Ministry of Justice

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,078	2.2	-17.5
DAX	13,982	-0.3	-12.0
DJIA	31,262	-2.9	-14.0
Eurostoxx 50	3,657	-1.3	-14.9
FTSE 100	7,390	-0.4	0.1
Nikkei 225	26,739	1.2	-7.1
S&P 500	3,901	-3.0	-18.1
Regional			
Abu Dhabi SM	9,934	4.6	17.0
Bahrain ASI	1,922	-1.9	6.9
Dubai FM	3,393	-0.7	6.2
Egypt EGX 30	10,550	-1.2	-11.7
MSCI GCC	804	-3.0	9.1
Kuwait SE	7,830	-0.5	11.2
KSA Tadawul	12,428	-3.2	10.2
Muscat SM 30	4,157	0.3	0.7
Qatar Exchange	12,730	-3.1	9.5

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.79	-13.9	127.7
Bunds 10 Year	0.94	-0.5	112.1
Gilts 10 Year	1.89	15.2	92.2
JGB 10 Year	0.24	-0.1	16.9
Regional			
Abu Dhabi 2027	3.26	-15.0	48.0
Oman 2027	5.80	4.2	-74.8
Qatar 2026	3.46	0.2	52.3
Kuwait 2027	3.24	-6.8	38.3
Saudi Arabia 2028	3.58	-20.0	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	112.6	0.9	44.7
KEC	117.9	2.4	49.2
WTI	113.2	2.5	50.6
Gold	1841.8	1.9	0.8

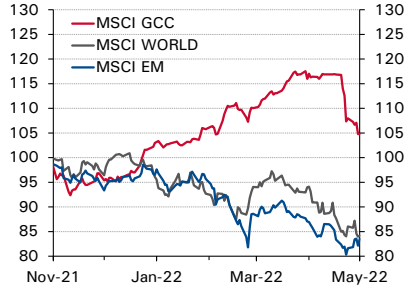
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.59	2.6	107.6
Kibor - 3 month	1.88	0.0	37.5
Qibor - 3 month	1.15	0.0	2.5
Eibor - 3 month	1.56	15.9	119.5
Saibor - 3 month	2.68	5.3	177.1
Libor - 3 month	1.51	6.3	129.7
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	-0.2	1.3
KWD per EUR	0.340	0.0	0.0
USD per EUR	1.056	1.4	-7.1
JPY per USD	127.9	-1.0	11.1
USD per GBP	1.249	1.8	-7.7
EGP per USD	18.25	-0.1	16.5

Updated on 20/5/2022

Source: Refinitiv

International equity markets

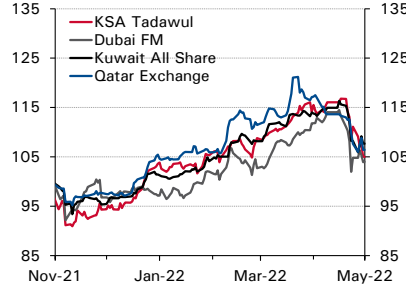
(rebased, 20 November 2021=100)



Source: Refinitiv

GCC equity markets

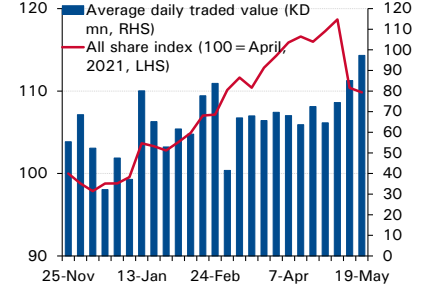
(rebased, 20 November 2021=100)



Source: Refinitiv

Boursa Kuwait

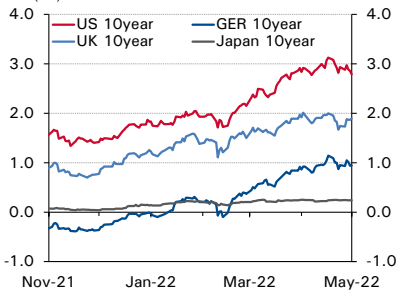
(equity prices and trading activity)



Source: Refinitiv

International bond yields

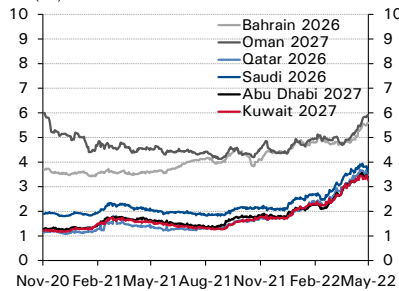
(%)



Source: Refinitiv

GCC bond yields

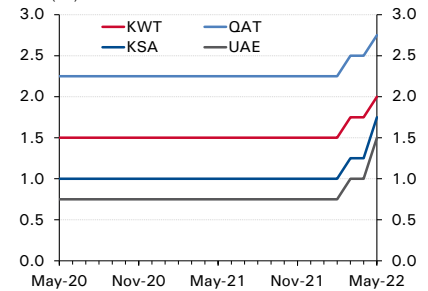
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv