

### International and markets

**US:** Speaking in an event on the economic outlook, Fed chair Powell sent a strong signal that the Fed will downshift to a 50 bps hike in the upcoming December meeting. Non-farm payrolls increased by 263k in November (+284k in October), higher than consensus expectations, though the lowest since April 2021. The unemployment rate was stable at 3.7% in November, while labor participation edged down to 62.1% from 62.2%. Average hourly earnings increased by 0.6% m/m, pushing up the y/y increase to 5.1%. Meanwhile, PCE inflation edged down to 6% y/y through October from 6.3% in September, while the core index was up 0.2% m/m, translating into a y/y increase of 5%, both in line with expectations. Finally, the second estimate of Q3 GDP indicated a 2.9% q/q annualized growth, higher than the first estimate of 2.6%.

**Europe:** Eurozone HICP inflation in November eased for the first time in 17 months to 10% y/y from 10.6% in October, slower than the 10.4% forecast. Prices also registered a first m/m decline of 0.1% since July 2021 on softer energy charges. The core rate, however, was unchanged at 5% y/y and flat m/m, suggesting pricing pressures beyond energy remain sticky. Meanwhile, the Eurozone's unemployment rate in October fell to 6.5% from 6.6% in September, a new record low.

**Japan:** The manufacturing PMI in November contracted for the first time in two years to 49 from 50.7, on slowing global growth and softer local demand amid high inflation and a weaker yen.

**China:** The official manufacturing PMI in November declined to 48, the seventh contraction in nine months, while services also continued their deterioration to 46.7, as ongoing Covid lockdowns weighed on business sentiment.

**Financial markets:** Global equity markets were slightly up (MSCI ACWI +1% w/w), led by EMs (+2.6%). UST 10Y yields dropped sharply (-20 bps w/w to 3.5%) after the Fed chair indicated a slowing pace of rate hikes. GCC markets were mixed, as Qatar (+1.3%) reversed the declining trend, but KSA (-1.1%) and Kuwait (-0.3%) retreated further.

**Oil:** Brent reversed three consecutive weekly declines last week, gaining 2.3% w/w to settle at \$85.6/bbl (+10% ytd) after China's easing of Covid restrictions and potentially slower Fed interest rate hikes encouraged markets. Price volatility was substantial, though, and oil finished lower on Friday after the G7/EU finally agreed on a \$60/bbl price-cap for Russia's crude sales. Meanwhile, an OPEC meeting is scheduled later today.

### MENA Region

**Kuwait:** The cabinet last week approved its 4-year 'program of action' of substantial socio-economic and governance reforms. These include measures to change the electoral law, raise non-oil revenues, improve government efficiency and redress the demographic imbalance. The plan will now be submitted to parliament for approval, though MPs have already declared that any plans to impose taxes on citizens will be rejected.

**KSA:** Credit grew 0.7% in October, translating into a 15.8% y/y increase, much faster than the 9.8% y/y growth in deposits, in continuation of the trend seen since 2020. Excluding mortgages, credit growth would stand at a still-strong 12.8% y/y. Additionally, SAMA has reportedly stepped up the use of open market operations to inject liquidity and lower interbank rates, having previously placed deposits with the banks.

**UAE:** Abu Dhabi's real GDP grew 11.7% y/y in 2Q22, up from 10.6% in 1Q22, supported by the oil sector (+13.5% y/y), while the non-oil remained strong at 9.9% y/y on the robust performance of real estate, hospitality, and trade sectors.

**Oman:** S&P upgraded sovereign credit rating second time this year, from "BB-" to "BB", with a stable outlook citing improved fiscal position on government reforms and higher oil prices.

**Bahrain:** S&P upgraded its outlook to positive while affirming a 'B+' rating, citing government's commitment to fiscal reforms and high oil prices.

**Egypt:** GDP grew 4.4% y/y in 1Q FY22/23 compared to 3.2% in the previous quarter, according to the ministry of planning, amid high inflation and tighter FX control.

#### Key takeaways:

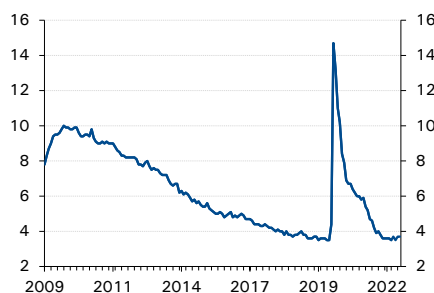
- In addition to laying the ground for smaller rate hikes going forward, US Fed chair Powell mentioned that the terminal rate will likely be "somewhat higher" than the committee's view at the September meeting (upper range of 4.75%), a more dovish tone than the emphatic "higher" mentioned several times in the November meeting conference.
- Eurozone's slowing headline inflation means that the peak inflationary phase may be nearing its end, bolstering hopes for a softer rate hike of 50 bps in the ECB's meeting this month.
- In response to the G7/EU oil price cap, Russia intends to ban sales to participants in the scheme, even though its flagship Urals grade is trading below the \$60 threshold. The G7 is likely counting on Russia's Asian customers currently paying above the cap to demand even steeper discounts from Moscow.

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



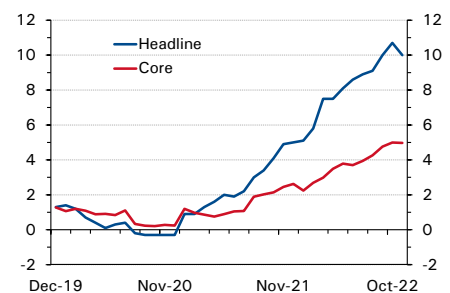
Source: Refinitiv

▶ **Chart 2: US unemployment rate** (%)



Source: Haver

▶ **Chart 3: Eurozone inflation** (% y/y)



Source: Haver

## Key data

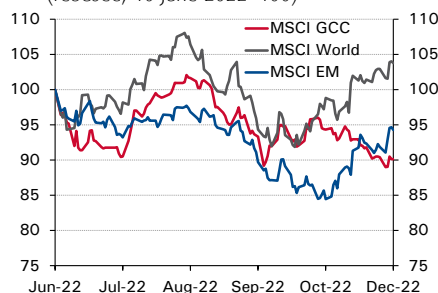
Stock markets	Index	Change (%)		Bond yields	%	Change (bps)		Interbank rates	%	Change (bps)					
		1-week	YTD			1-week	YTD			1-week	YTD				
<b>International</b>															
CSI 300	3,871	2.5	-21.6	UST 10 Year	3.50	-19.9	199.1	Bhivor - 3 month	5.81	4.2	429.7				
DAX	14,529	-0.1	-8.5	Bunds 10 Year	1.86	-11.4	203.4	Kibor - 3 month	4.00	0.0	250.0				
DJIA	34,430	0.2	-5.3	Gilts 10 Year	3.15	2.8	217.5	Qibor - 3 month	4.90	1.7	377.5				
Eurostoxx 50	3,978	0.4	-7.5	JGB 10 Year	0.26	0.5	18.5	Eibor - 3 month	4.48	3.2	411.4				
FTSE 100	7,556	0.9	2.3	<b>Regional</b>											
Nikkei 225	27,778	-1.8	-3.5	Abu Dhabi 2027	3.87	-17.4	117.1	Oman 2027	5.81	-16.8	32.3				
S&P 500	4,072	1.1	-14.6	Oman 2026	4.18	-19.3	139.4	Qatar 2026	4.18	-19.3	139.4				
<b>Regional</b>															
Abu Dhabi SM	10,552	0.2	24.3	Kuwait 2027	4.23	-38.9	146.8	Saudi Arabia 2028	4.50	-19.0	113.1				
Bahrain ASI	1,865	0.1	3.7	<b>Commodities</b>											
Dubai FM	3,324	0.0	4.0												
Egypt EGX 30	13,640	6.7	14.1												
MSCI GCC	726	-0.4	-1.6												
Kuwait SE	7,567	-0.3	7.4												
KSA Tadawul	10,823	-1.1	-4.1												
Muscat SM 30	4,614	1.3	11.7												
Qatar Exchange	12,018	1.3	3.4												
<b>Exchange rates</b>															
KWD per USD	0.306	-0.3	1.4												
KWD per EUR	0.323	1.7	-6.2												
USD per EUR	1.054	1.4	-7.3												
JPY per USD	134.3	-3.5	16.7												
USD per GBP	1.229	1.6	-9.2												
EGP per USD	24.53	-0.2	56.6												

Updated on 2/12/2022

Source: Refinitiv

### International equity markets

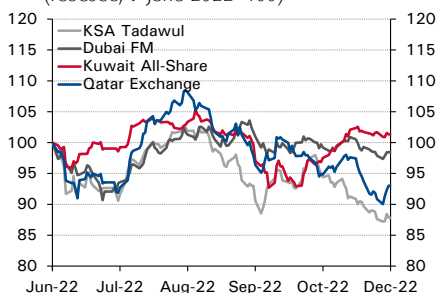
(rebased, 10 June 2022=100)



Source: Refinitiv

### GCC equity markets

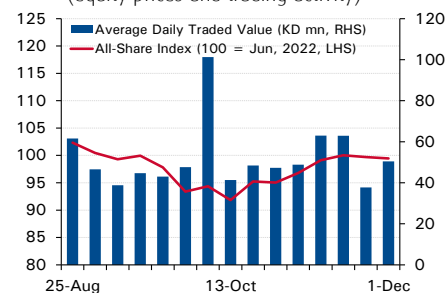
(rebased, 9 June 2022=100)



Source: Refinitiv

### Bursa Kuwait

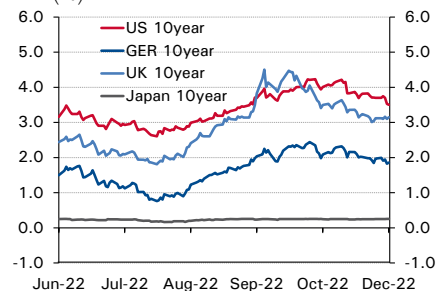
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

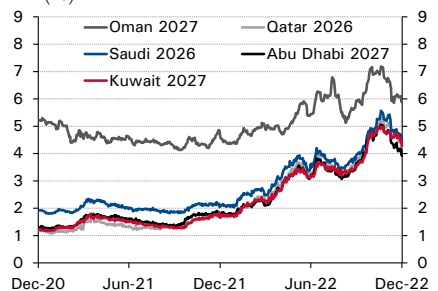
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Source: Refinitiv

### GCC bond yields

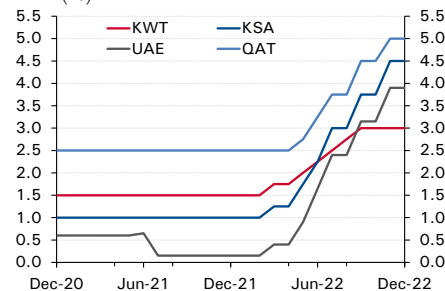
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv