

### International and markets

**US:** In a testimony to Congress, Chair Powell reiterated the Fed's hawkish stance and its strong commitment to bring inflation down. Moreover, in probably the most explicit acknowledgment to date, he mentioned that achieving a soft landing would be "very challenging" and a recession is certainly a possibility. Meanwhile, driven by higher mortgage rates, existing home sales dropped for the fourth consecutive month in May, falling by 3.4% m/m and 5.0% y/y (Jan-May cumulative). Finally, the final reading for the now closely-followed University of Michigan's survey of five-year ahead inflation expectations for June dropped to 3.1% from 3.3% in the preliminary reading.

**Europe:** The Eurozone flash PMI slumped to a 16-month low of 51.9 in June (54.8 in May), reflecting only minimal growth as fallout from price rises, tightening financial conditions and supply chain issues intensified. Meanwhile, ECB officials are mulling the shape of and trigger points for the new policy tool intended to limit the rise in bond spreads in periphery countries. An announcement could come at the July 21 meeting, when policy interest rates are set to rise by 25 bps. In the UK, inflation rose to a 40-year high of 9.1% y/y in May, driven by surging food and energy costs. The UK flash PMI was steady at 53.1 in May, but business optimism was weak pointing to falls ahead.

**Financial markets:** Global equity markets rebounded from a multi-week losing streak on signs of easing inflation and recession fears. The MSCI ACWI gained 4.6% w/w, led by the S&P 500 (+6.4%). The 10-year UST yield eased 9.4 bps to 3.14%. In contrast, the MSCI GCC lost a steep 4.0% w/w, led by Qatar (-6.4%) and Saudi Arabia (-4.3%) on mounting interest rate rises, inflation and growth concerns. Kuwait's All-Share fell 2.3%.

**Oil:** Brent finished the week unchanged at \$113.1/bbl (0% w/w; +45.4% ytd), recouping earlier losses linked to recession fears amid more aggressive US Fed rate hike signaling. Meanwhile, US energy firms continued to add oil rigs (+10 to 594), motivated by higher commodity prices, while the EIA data showed that US refining capacity had fallen to its lowest level since 2014 (17.9 mb/d).

### MENA Region

**Kuwait:** The Emir dissolved the national assembly and called for general elections in the upcoming months, in a move to ease the country's political gridlock. Meanwhile, the Ministry of Commerce and Industry will address the Ministry of Finance in

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



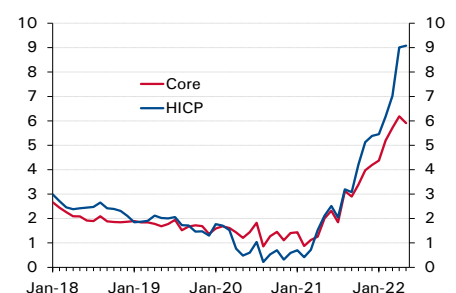
Source: Refinitiv

▶ **Chart 2: US existing home sales**  
(millions, annualized figure)



Source: Refinitiv

▶ **Chart 3: UK inflation**  
(% y/y)



Source: Refinitiv

order to increase the annual budget allocations for supporting food and construction materials.

**Saudi Arabia:** The IMF re-iterated its positive outlook on the Saudi economy for the short and medium term, projecting non-oil and overall GDP growth of 4.2% and 7.6%, respectively, in 2022, with inflation remaining contained at an average of 2.8% this year. Meanwhile, non-oil exports increased by 37% y/y in April and by 32% in the first four months of 2022 while imports rose by a much lower 12% in January-April.

**UAE:** The government raised AED 1.5 billion (\$408 million) in its second local currency-denominated bond auction with the issuance of two and three-year tranches, each for AED 750 million. The sale was heavily oversubscribed, with AED 9.7 billion worth of bids logged.

**Bahrain:** GDP increased by 5.5% y/y in 1Q22, helped by a robust recovery in the non-oil sector (+7.8% y/y), particularly the financial and hospitality sectors. Oil GDP, however, declined 4.7% y/y due to seasonal maintenance at some oil fields.

**Oman:** Consumer price inflation edged down to 2.4% y/y in May from 2.6% in April, largely due to deflation in the housing component (-1.3% y/y) that slightly offset a 5% increase in the food component.

**Egypt:** The Central Bank of Egypt (CBE), at its meeting on Thursday, kept the overnight deposit and lending rates unchanged at 11.25% and 12.25%, respectively. The CBE sees elevated headline inflation as being temporarily tolerable relative to its pre-announced target of 7% ( $\pm 2\%$ ) on average in 4Q2022, before declining thereafter.

### Key takeaways:

- The drop in inflation expectations in the US is noteworthy, especially given that the preliminary elevated 3.3% reading was one of the key factors prompting the Fed to hike by 75 bps. This might be taken as an early sign that the Fed's tightening is succeeding in bringing down inflation expectations.
- The drop in the Eurozone PMI represents further evidence that the region's economy is losing steam abruptly. A recession is beginning to look more likely with inflation at record highs, the ECB already committed to policy tightening and the risk of disruption to natural gas supplies from Russia increasing.
- According to the constitution, legislative elections in Kuwait should take place within 60 days of the Emir's decree to dissolve parliament. A new parliament and government could therefore be expected by October, which could help in passing the draft budget and potentially the debt law before year-end.

## Key data

Stock markets				Bond yields			Interbank rates				
Index	Change (%)			%	Change (bps)		%	Change (bps)			
	1-week	YTD			1-week	YTD		1-week	YTD		
<b>International</b>				<b>International</b>			<b>Regional</b>				
CSI 300	4,395	2.0	-11.0	UST 10 Year	3.14	-9.4	162.6	Bhibor - 3 month	3.50	16.5	198.3
DAX	13,118	-0.1	-17.4	Bunds 10 Year	1.44	-22.2	161.9	Kibor - 3 month	2.13	0.0	62.5
DJIA	31,501	5.4	-13.3	Gilts 10 Year	2.30	-19.7	133.1	Qibor - 3 month	1.15	0.0	2.5
Eurostoxx 50	3,533	2.8	-17.8	JGB 10 Year	0.23	0.0	15.5	Eibor - 3 month	1.88	12.7	151.5
FTSE 100	7,209	2.7	-2.4	<b>Regional</b>			Saibor - 3 month	3.29	11.2	238.9	
Nikkei 225	26,492	2.0	-8.0	Abu Dhabi 2027	3.57	-17.3	48.0	Libor - 3 month	2.23	13.9	202.5
S&P 500	3,912	6.4	-17.9	Oman 2027	5.84	-31.2	-74.8	<b>Exchange rates</b>			
<b>Regional</b>				Qatar 2026	3.62	-32.5	52.3	rate		Change (%)	
Abu Dhabi SM	9,238	-2.3	8.8	Kuwait 2027	3.56	-6.5	38.3	1-week		YTD	
Bahrain ASI	1,816	-1.9	1.1	Saudi Arabia 2028	3.90	-13.1	31.6	KWD per USD	0.306	-0.3	1.3
Dubai FM	3,202	-1.8	0.2	<b>Commodities</b>			\$ /unit		Change (%)		
Egypt EGX 30	9,440	-4.3	-21.0	1-week		YTD		KWD per EUR	0.324	0.4	-5.9
MSCI GCC	736	-4.0	-0.2	Brent crude	113.1	0.0	45.4	USD per EUR	1.055	0.5	-7.2
Kuwait SE	7,240	-2.3	2.8	KEC	110.9	-8.1	40.2	JPY per USD	135.2	0.2	17.5
KSA Tadawul	11,311	-4.3	0.3	WTI	107.6	-1.8	43.1	USD per GBP	1.226	0.3	-9.4
Muscat SM 30	4,115	-0.2	-0.3	Gold	1826.5	-0.5	-0.1	EGP per USD	18.76	0.4	19.8
Qatar Exchange	11,753	-6.4	1.1								

Updated on 24/6/2022

Source: Refinitiv

### International equity markets

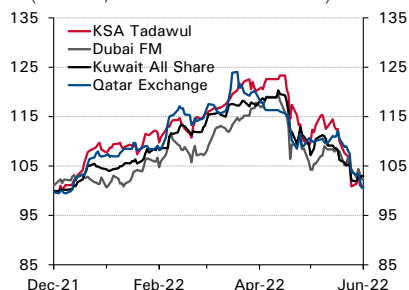
(rebased, 24 December 2021=100)



Source: Refinitiv

### GCC equity markets

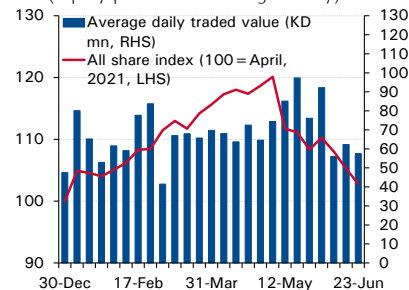
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Source: Refinitiv

### Bursa Kuwait

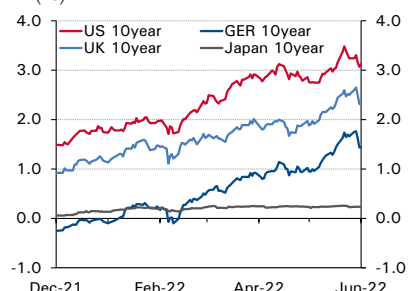
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

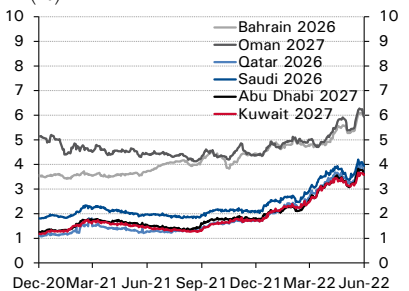
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Source: Refinitiv

### GCC bond yields

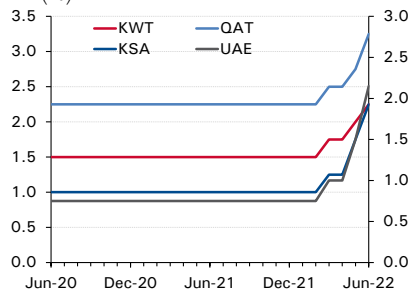
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv