

## International and markets

**US:** Consumer prices increased by 0.5% m/m in December resulting in a 7% y/y increase (6.8% in November), the highest since 1982, but in line with expectations. The rise in the core rate (+5.5% y/y) reflected a broad-based increase in prices across the various subsectors of both goods and services with prices of used cars and trucks soaring by 37% in 2021. Meanwhile, Fed chair Powell struck a slightly less hawkish stance than what the December meeting minutes had indicated regarding the start of the balance sheet reduction process. Finally, retail sales disappointed for the second straight month, decreasing by 1.9% m/m in December, but have jumped by a solid 19.3% for the full year.

**Europe:** UK GDP rose a stronger-than-expected 0.9% m/m in November, which also saw output return to pre-pandemic levels. The figure may have been boosted by seasonal factors, including earlier-than-usual holiday shopping as consumers looked to beat supply shortages. Still, alongside the recent strength in the labor market and elevated inflation (new figures for both will be released this week), the figure is likely to support another rate hike (25 bps) by the Bank of England in February.

**China:** December's producer price inflation stood at 10.3% y/y, coming below market expectations of 11.8% on government efforts to contain high raw material prices. Consumer price inflation also slowed to 1.5% y/y on lower food prices. This has increased calls for the central bank to cut its key policy rate amidst slowing economic activity.

**Financial markets:** Global equity markets were mostly negative amid growing rate hike concerns. Losses were led by US markets with the DJIA down 0.9% w/w, while emerging markets outperformed (MSCI EM +2.1%). Meanwhile the MSCI GCC gained a solid 4.7% w/w, lifted by strong gains in Saudi Arabia (+5.7%) as higher oil prices boosted sentiment.

**Oil:** Brent posted its fourth consecutive weekly gain, settling at \$86.1/bbl (+5.3% w/w), on tighter-than-expected fundamentals. Global consumption appears to be weathering the fast-spreading Omicron variant while supply outages and constraints from Libya to Russia continue to feature. Meanwhile, in a coordinated effort to tame surging domestic fuel prices, the US and China agreed to release unspecified amounts of oil reserves near the Chinese Lunar New Year (Feb 1<sup>st</sup>).

## MENA Region

**Kuwait:** Rating agency S&P affirmed the sovereign credit rating at A+ and maintained its "negative outlook", pending the approval of a financing strategy (including a debt law) for future deficits. Meanwhile, the financial committee at the parliament passed the Sukuk law, a step that would allow the government to diversify its financing toolkit once the debt law is passed.

**Saudi Arabia:** During the "Future Minerals Forum", a global summit that was held in Riyadh, Saudi officials announced their target to increase mining sector GDP to \$64 billion in 2030 from a reported \$17 billion currently. They estimate that the Kingdom's mineral resources wealth stands at a significant \$1.3 trillion. Meanwhile, inflation ended the year on a soft note, with the CPI rising 1.2% y/y in December 2021 as housing rentals (21% weight) remained in the red (-1.9%), while transport prices (13% weight) increased the most (7.2%) in the year.

**Qatar:** GDP grew by 2.7% y/y in 3Q21 driven mainly by a 4.7% increase in non-hydrocarbon activity with food, accommodation and transportation being the largest contributors. Hydrocarbon GDP fell 0.7% y/y. The Qatar Financial Center (non-energy private sector) PMI eased to 61.4 in December from November's record high of 63.1, but is still the third highest on record.

**Oman:** The government approved the 2022 budget with revenues expected to increase 27% reaching OMR 10.58 billion, while expenditures are projected to rise 11% to stand at OMR 12.1 billion. The fiscal deficit is seen at 5% of GDP in 2022.

**Egypt:** Inflation continued trending up, reaching 5.9% y/y in December (5.5% in November) on increases in food/beverages and housing water and electricity prices. Core inflation trends were similar at 6% in December, up from 5.8% in November.

### Key takeaways:

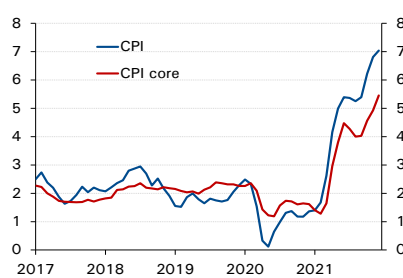
- Commentary by Fed officials regarding the bank's dual mandate of full employment and price stability indicate that the focus has shifted fully to the latter, in view of elevated inflation and a labor market that is close to full employment.
- The S&P ratings and outlook affirmation further underscore the expectation for clarity on Kuwait's plans for a comprehensive fiscal financing framework and the imperative of legislative resolution on this matter now that a new government is in place.
- Consumer price inflation in KSA was soft in 2021, but is expected to pick up to around 2% in 2022 given global inflation dynamics and less deflationary pressures from housing rentals.

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



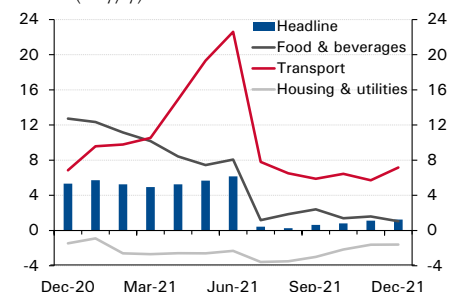
Source: Refinitiv

▶ **Chart 2: US inflation**  
(% y/y)



Source: Refinitiv

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



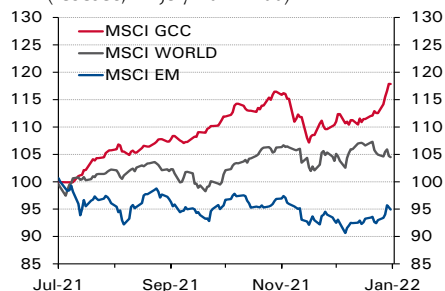
Source: GASTAT

## Key data

Stock markets				Bond yields			Interbank rates						
Index	Change (%)			%	Change (bps)		%	Change (bps)		Exchange rates			
	1-week	YTD			1-week	YTD		rate	Change (%)				
<b>International</b>				<b>International</b>			<b>Interbank rates</b>						
CSI 300	4,727	-2.0	-4.3	UST 10 Year	1.79	2.7	28.1	Bhibor - 3 month	1.52	0.0	0.0		
DAX	15,883	-0.4	0.0	Bunds 10 Year	-0.05	-2.0	13.0	Kibor - 3 month	1.50	0.0	0.0		
DJIA	35,912	-0.9	-1.2	Gilts 10 Year	1.15	-3.0	17.8	Qibor - 3 month	1.15	0.0	2.5		
Eurostoxx 50	4,272	-0.8	-0.6	JGB 10 Year	0.15	2.6	8.0	Eibor - 3 month	0.40	-4.0	3.4		
FTSE 100	7,543	0.8	2.1	<b>Regional</b>			<b>Exchange rates</b>						
Nikkei 225	28,124	-1.2	-2.3	Abu Dhabi 2027	2.04	6.6	48.0	KWD per USD	0.302	-0.3	-0.2		
S&P 500	4,663	-0.3	-2.2	Oman 2027	4.68	21.3	-74.8	KWD per EUR	0.340	0.0	0.0		
<b>Regional</b>				Qatar 2026	1.95	6.4	52.3	JPY per USD	114.2	-1.2	-0.8		
Abu Dhabi SM	8,425	0.5	-0.7	Kuwait 2027	2.02	23.4	38.3	USD per GBP	1.367	0.6	1.1		
Bahrain ASI	1,804	0.9	0.4	Saudi Arabia 2028	2.44	11.4	31.6	EGP per USD	15.64	-0.2	-0.1		
Dubai FM	3,202	-0.6	0.2	<b>Commodities</b>			\$/unit		Change (%)				
Egypt EGX 30	12,012	-0.3	0.5	Brent crude	86.1	5.3	10.6	1-week	YTD				
MSCI GCC	779	4.7	5.7	KEC	86.6	60.3	9.5						
Kuwait SE	7,390	4.1	4.9	WTI	83.8	6.2	11.4						
KSA Tadawul	12,079	5.7	7.1	Gold	1816.5	1.1	-0.6						
Muscat SM 30	4,267	1.9	3.3	Updated on 14/1/2022 <span style="float: right;">Source: Refinitiv</span>									
Qatar Exchange	12,318	3.0	6.0										

### International equity markets

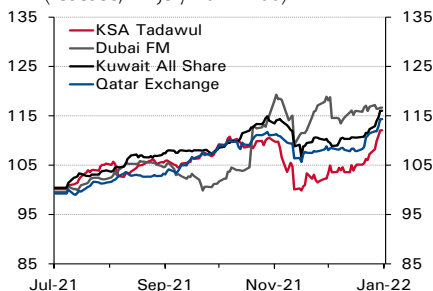
(rebased, 14 July 2021=100)



Source: Refinitiv

### GCC equity markets

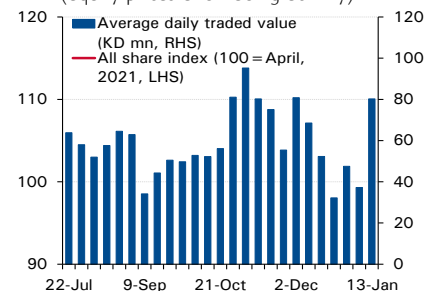
(rebased, 14 July 2021=100)



Source: Refinitiv

### Boursa Kuwait

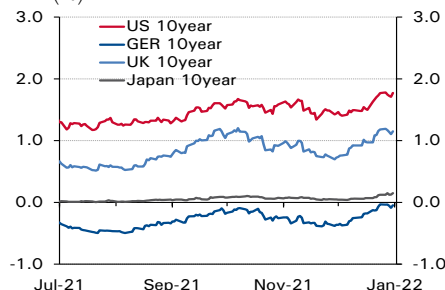
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

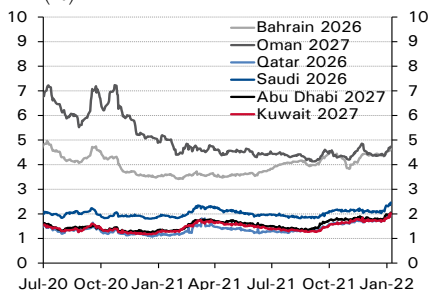
(%)



Source: Refinitiv

### GCC bond yields

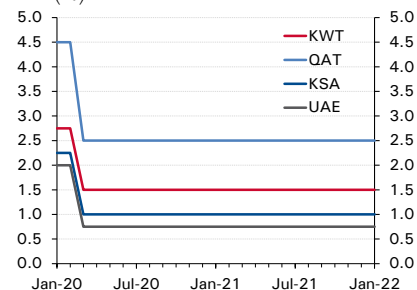
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv