

International and markets

US: In remarks during a conference, Fed Chair Powell took an even more hawkish view about rate rises to combat inflation that he believed to be too high, vowing to do whatever it takes to rein it in. Meanwhile, likely driven by higher mortgage rates, new home sales were weak in February as they fell 2% m/m to an annualized figure of 772K, while January's level was revised lower to reflect an 8.4% decrease in that month. Finally, in yet another sign of the very tight labor market, new weekly jobless claims fell to 187k, much lower than consensus and the lowest level since more than 50 years.

Europe: There were early signs of the impact of the Ukraine war in the Eurozone flash PMI for March, which fell to 54.5 from 55.5 in February, and offset the boost from easing Covid restrictions. Business sentiment plunged and input prices rose sharply, signaling problems ahead. In the UK, Chancellor Sunak's Spring Statement failed to row back key tax increases planned for April, despite political pressure and downside risks to economic activity. UK inflation, meanwhile, jumped to a 30-year high of 6.2% y/y in February from 5.5% in January on surging food, clothing and recreation costs.

China: The central bank kept interest rates steady at its March meeting (1-yr LPR at 3.7%; 5-yr at 4.6%), despite the country's worst Covid-19 outbreak since 2020. To soften the lockdown-induced economic fallout, taxes on small firms were cut from 25% to 20% until 2024.

Financial markets: Global equities were mostly positive despite the ongoing Ukraine war, hawkish Fed policy and stagflation concerns. The MSCI AC World rose 1.3% w/w, led by the S&P 500 (+1.8%)—up for the second consecutive week. The 10-year treasury yield surged by 34 bps (w/w) to 2.49%, its highest since May 2019. The MSCI GCC was up 1.8% w/w, with Bahrain (+3.4%) and Kuwait (+2.2%) outperforming regional peers.

Oil: Brent posted its first weekly gain in three weeks on Friday, settling at \$120.7/bbl (+11.8% w/w; +55% ytd), firming due to a Caspian oil terminal shut-down and after Houthis attacked Saudi oil facilities. The EU, with the help of the US, looked to sharply reduce its reliance on Russian oil and gas, though nothing concrete was finalized.

MENA Region

Kuwait: MOF public finance data for FY21/22 showed the deficit narrowing to KD400mn after 11 months (vs. KD6.0bn during

the same period in FY20/21). This was mainly due to the substantial increase in oil revenues (+86.5% y/y to KD14.3bn). Expenditures increased to KD16.4bn (+10.5% y/y) on the back of higher current spending, while capex, though up by a third on FY20/21, remained weak at KD1.4bn (53.5% of budget).

Saudi Arabia: Ratings agency S&P, while affirming the Kingdom's sovereign rating at A-, upgraded the outlook from stable to positive thanks to improving GDP growth, fiscal dynamics over the medium term, oil sector prospects and government reform efforts. In the oil sector, Aramco pledged to increase capex by 50% to \$40-50bn in 2022 as it looks to increase sustainable crude production capacity to 13 mb/d by 2027. Last year, net profit rose to \$110bn from \$49bn in 2020 and should top \$140bn this year.

Egypt: The central bank devalued the currency by 14% to EGP18.2/USD from EGP15.7/USD and hiked interest rates by 100 bps to help temper inflationary pressures from rising global prices and fallout from the Russia-Ukraine war. State banks NBE and Misr announced a 1-yr CD yielding 18% to absorb excess liquidity. Meanwhile, the authorities also revised downwards their GDP forecast for FY22-23 to 5.5% from 5.7%. Finally, the authorities also confirmed that they are in talks with the IMF for another program to support Egypt's development program.

Key takeaways:

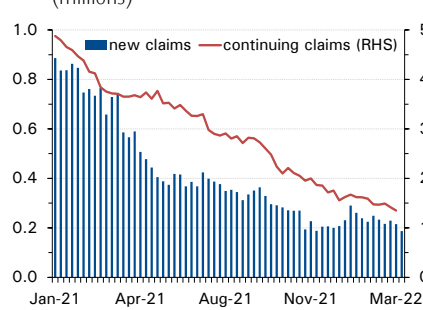
- Fed Chair Powell's comments moved market expectations from the equivalent of seven additional 0.25% hikes to eight this year, including a 50 bps hike in the next 4 May meeting.
- China's 5.5% GDP growth target this year looks challenging as the authorities look to balance monetary stimulus to mitigate the negative effects of Covid-19, weaker credit and real estate activity on economic growth with the need to limit currency pressures amid a large sell-off in bonds and capital outflows linked to the Russia-Ukraine war and China's position on the crisis.
- Kuwait's 11-month fiscal results (FY21/22) show the dominance of oil revenues in the public finances and the still high level of spending. The deficit is expected to shrink to around 8% of GDP from 33% in the previous year.
- Egypt, by devaluing the pound and hiking interest rates, hopes to stem dollar flight, attract foreign investments, stimulate exports (and reduce imports) and enhance the foreign position of domestic banks.

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



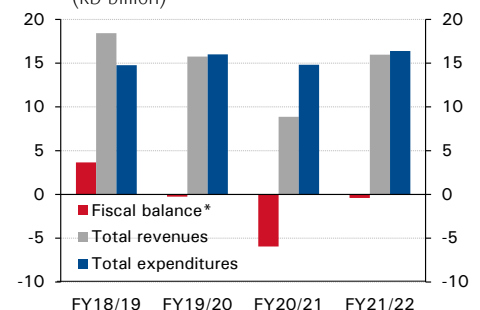
Source: Refinitiv

▶ **Chart 2: US jobless claims**
(millions)



Source: Refinitiv

▶ **Chart 3: Kuwait fiscal balance**
(KD billion)



Source: Ministry of Finance (MOF), *before FGF transfers

Key data

Stock markets	Index	Change (%)		Bond yields	%	Change (bps)		Interbank rates	%	Change (bps)					
		1-week	YTD			1-week	YTD			1-week	YTD				
International															
CSI 300	4,175	-2.1	-15.5	UST 10 Year	2.49	33.5	97.6	Bhbor - 3 month	1.88	8.3	36.7				
DAX	14,306	-0.7	-9.9	Bunds 10 Year	0.57	20.3	74.9	Kibor - 3 month	1.69	6.3	18.8				
DJIA	34,861	0.3	-4.1	Gilts 10 Year	1.70	19.7	72.3	Qibor - 3 month	1.15	0.0	2.5				
Eurostoxx 50	3,868	-0.9	-10.0	JGB 10 Year	0.24	3.4	16.9	Eibor - 3 month	1.01	-0.1	64.7				
FTSE 100	7,483	1.1	1.3	Regional											
Nikkei 225	28,150	4.9	-2.2	Abu Dhabi 2027	2.54	20.5	48.0	Oman 2027	4.94	11.2	-74.8				
S&P 500	4,543	1.8	-4.7	Qatar 2026	2.72	22.5	52.3	Kuwait 2027	2.50	17.5	38.3				
Regional															
Abu Dhabi SM	9,769	1.7	15.1	Saudi Arabia 2028	3.00	21.2	31.6	Exchange rates							
Bahrain ASI	2,033	3.4	13.1	Commodities				rate	Change (%)						
Dubai FM	3,412	1.9	6.8		\$/unit	Change (%)		1-week	YTD						
Egypt EGX 30	11,709	9.2	-2.0	Brent crude	120.7	11.8	55.1	KWD per USD	0.304	0.1	0.6				
MSCI GCC	859	1.8	16.6	KEC	114.7	5.0	45.0	KWD per EUR	0.340	0.0	0.0				
Kuwait SE	8,043	2.2	14.2	WTI	113.9	8.8	51.4	USD per EUR	1.098	-0.7	-3.4				
KSA Tadawul	12,948	1.4	14.8	Gold	1953.8	1.3	6.9	JPY per USD	122.1	2.4	6.1				
Muscat SM 30	4,281	-0.8	3.7	Updated on 25/3/2022 Source: Refinitiv											
Qatar Exchange	13,632	1.7	17.3												

International equity markets

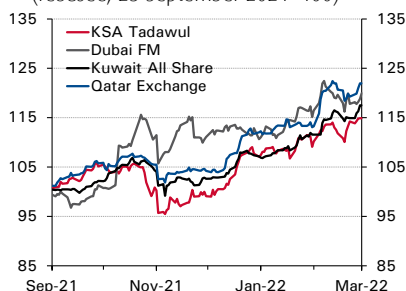
(rebased, 25 September 2021=100)



Source: Refinitiv

GCC equity markets

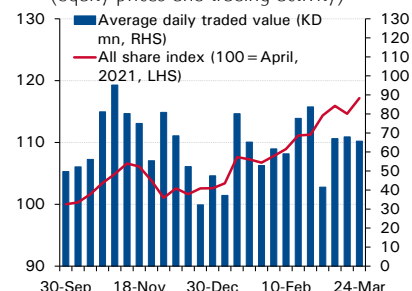
(rebased, 25 September 2021=100)



Source: Refinitiv

Boursa Kuwait

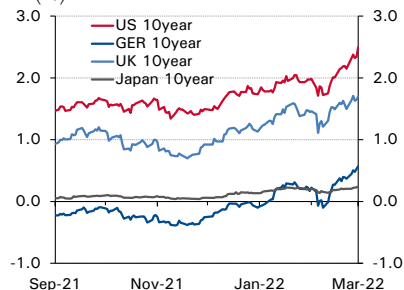
(equity prices and trading activity)



Source: Refinitiv

International bond yields

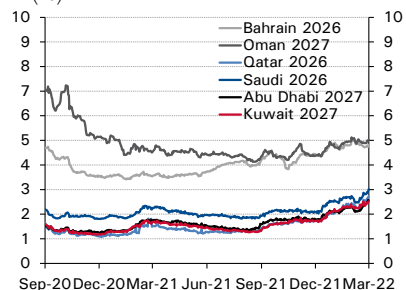
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Source: Refinitiv

GCC bond yields

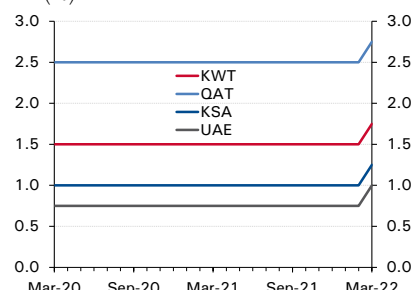
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv