

## International and markets

**US:** As expected, the Fed hiked the federal funds rate by 50 bps to a target range of 0.75-1%. The 0.5% rise was the biggest since 2000. The Fed also detailed its plan to reduce its balance sheet from June onwards at a monthly rate of \$47.5bn, which would then increase to \$95bn after three months. Fed Chair Powell indicated that further 0.5% rate increases are on the table for the next two meetings but that the Fed is “not actively considering” a 0.75% rate hike. Meanwhile, GDP fell by 1.4% q/q (annualized) in 1Q2022—coming in much weaker than consensus—due to lower net exports and inventories, though consumer spending growth held up well at 2.7%. Finally, in April, non-farm payrolls rose by a slightly higher-than-expected 428k, unemployment was stable at 3.6% and labor force participation ticked down slightly to 62.2%.

**Europe:** The Eurozone composite PMI for April came in at a relatively solid 55.8, up from 54.9 in March, on a strong uptick in private sector activity. The data could also help push the ECB to adopt a more hawkish stance, possibly hiking rates as soon as July, despite continued fallout from the Ukraine war and high inflation. Meanwhile, the Bank of England (BoE) raised policy rates by 25 bps to 1% to help temper inflation, which it forecast could hit 10% later this year. The BoE also noted the higher risk of a recession. PM Boris Johnson is under renewed pressure following his party's heavy losses in local elections last week, a major factor in which was the spiraling cost of living.

**Financial markets:** Global equity markets fell amid continued uncertainty surrounding monetary policy, inflation and growth. The MSCI ACWI lost 1.3% w/w, with the sharpest declines seen in European (Eurostoxx 50: -4.6%) and emerging markets (MSCI EM: -3.6%) indices. The S&P500 whipsawed to end the week down 0.2% w/w. The 10-year treasury yield rose 10 bps w/w to 3.14%, the highest in more than 3 years after the Fed's interest rate hike. UAE equities tracked global markets lower (Dubai -0.7%), while Kuwait's All-Share outperformed (1.2%).

**Oil:** Brent closed up for the second week in a row on Friday, reaching \$112.4/bbl (+2.8% w/w; +45% ytd), as market focus swung back to the tight supply picture after the US announced that it would in 2023 start replenishing its SPR reserves and after the EU moved to embargo Russian oil by year-end. OPEC+, meanwhile, approved another month of 432 kb/d supply increases, for June, noting that the consensus outlook pointed to a ‘balanced market’.

## MENA Region

**GCC:** The Central Bank of Kuwait (CBK) followed the US Fed in raising its key policy rate, the discount rate, but by only 25 bps to 2.0%. Saudi's SAMA hiked its repo and reverse repo rates by the full 50 bps to 1.75% and 1.25%, respectively. In the UAE, the base rate was increased by 50 bps to 2.25%. Qatar hiked the deposit rate by 50 bps to 1.5%, the lending rate by 25 bps to 2.75% and the repo rate by 50 bps to 1.75%. In Bahrain, the CBB raised the rate on its one-week deposit facility, its key policy rate, by 50 bps to 1.75%.

**Kuwait:** Consumer spending (Knet) amounted to KD2.8bn in April, easing in annual growth terms to 34.8% y/y (-7.4% m/m), with the Eid break travel exodus a likely factor.

**Saudi Arabia:** Official GDP flash estimates showed output rising by 9.6% y/y in 1Q2022, the fastest growth in more than 10 years, on surging oil (+20.4% y/y), non-oil (+3.7%) and government (+2.4% y/y) sector output.

**Egypt:** Private sector activity was weak again in April's PMI data (46.9), with business output, new orders and employment affected by higher costs. Meanwhile, the state's budget deficit narrowed to 4.9% of GDP in the first nine months of FY21/22 (compared to 5.4% in 9M FY20/21), the Ministry of Finance (MOF) reported. The MOF expects the full year deficit to come in at 6.2% of GDP, down from 7.4% last year, and the debt-to-GDP ratio to reach 85% this year, below both its previous target of <90% and the IMF's latest forecast of 94%.

### Key takeaways:

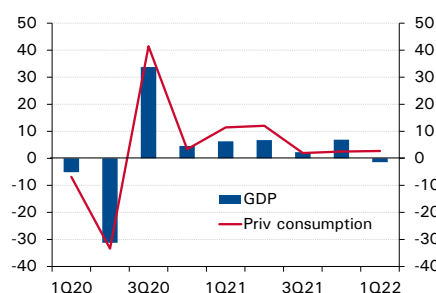
- Fed chair Powell's downplaying of a possible 75 bps rate hike is at odds with current futures market expectations, which attach an 83% probability to the event. This possibly reflects the view that inflation will come in higher than the Fed predicts.
- Despite rising global economic headwinds, oil prices could be on the verge of another breakout upwards ahead of the peak summer oil demand season due to lagging supply, with around 1 mb/d of Russian crude off line due to sanctions and OPEC-10 struggling to meet quotas. US shale output increases have also been far more restrained than anticipated.
- Most central banks in the GCC moved in lockstep with the US Fed's 50 bps rate hike. The CBK's more flexible currency peg, higher rate starting point (it did not cut rates as much as other central banks before and during Covid) and preference for a more gradual increase in the borrowing costs facing customers were likely considerations in its smaller 25 bps hike.

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



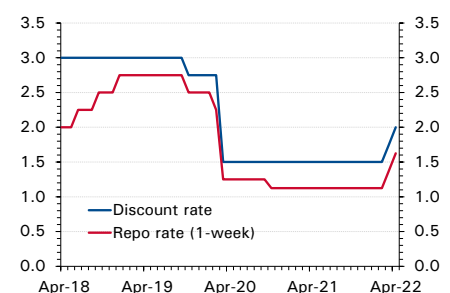
Source: Refinitiv

► **Chart 2: US GDP growth**  
(% y/y)



Source: Refinitiv

► **Chart 3: Kuwait policy rates**  
(%)



Source: Refinitiv

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	3,909	-2.7	-20.9
DAX	13,674	-3.0	-13.9
DJIA	32,899	-0.2	-9.5
Eurostoxx 50	3,629	-4.6	-15.6
FTSE 100	7,388	-2.1	0.0
Nikkei 225	27,004	0.6	-6.2
S&P 500	4,123	-0.2	-13.5
<b>Regional</b>			
Abu Dhabi SM	10,073	-0.1	18.7
Bahrain ASI	2,054	-0.1	14.3
Dubai FM	3,695	-0.7	15.6
Egypt EGX 30	11,048	0.0	-7.5
MSCI GCC	897	0.0	21.6
Kuwait SE	8,460	1.2	20.1
KSA Tadawul	13,734	0.0	21.7
Muscat SM 30	4,158	0.0	0.7
Qatar Exchange	13,591	0.0	16.9

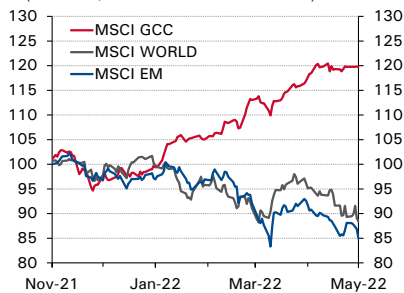
Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	3.14	20.5	163.1
Bunds 10 Year	1.14	20.2	131.6
Gilts 10 Year	2.00	9.0	102.5
JGB 10 Year	0.24	2.3	17.0
<b>Regional</b>			
Abu Dhabi 2027	3.43	21.5	48.0
Oman 2027	5.37	17.7	-74.8
Qatar 2026	3.65	23.7	52.3
Kuwait 2027	3.42	12.8	38.3
Saudi Arabia 2028	3.87	14.5	31.6
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	112.4	2.8	44.5
KEC	117.1	7.4	48.2
WTI	109.8	4.9	46.0
Gold	1881.2	-1.5	2.9

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.08	0.0	55.8
Kibor - 3 month	1.81	12.5	31.3
Qibor - 3 month	1.15	0.0	2.5
Eibor - 3 month	1.39	5.9	102.8
Saibor - 3 month	2.46	13.1	155.2
Libor - 3 month	1.40	6.7	119.3
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	0.1	1.5
KWD per EUR	0.340	0.0	0.0
USD per EUR	1.055	0.1	-7.2
JPY per USD	130.6	0.6	13.5
USD per GBP	1.234	-1.9	-8.8
EGP per USD	18.43	-0.1	17.7

Updated on 6/5/2022 Source: Refinitiv

### International equity markets

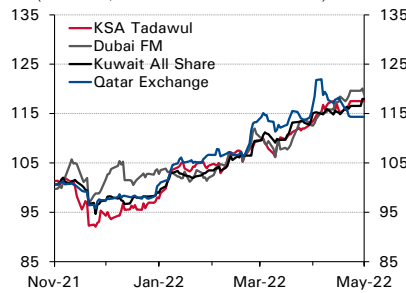
(rebased, 6 November 2021=100)



Source: Refinitiv

### GCC equity markets

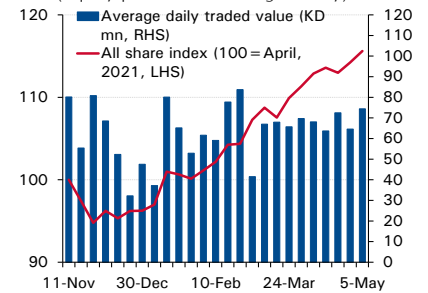
(rebased, 6 November 2021=100)



Source: Refinitiv

### Bursa Kuwait

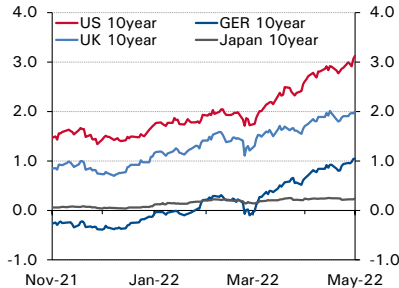
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

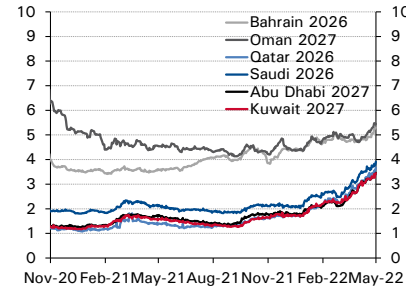
(%)



Source: Refinitiv

### GCC bond yields

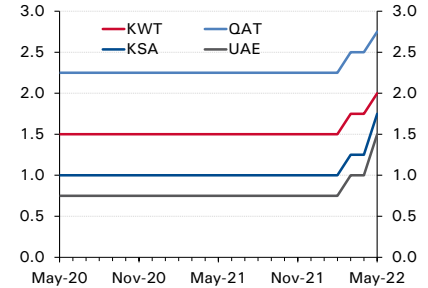
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv