

### International and markets

**US:** The Fed raised rates by 75 bps (+375 bps since March) to a target range of 3.75% to 4.0%. Chair Powell was hawkish in saying that it was “very premature” to consider pausing rate hikes and that the terminal rate will likely be higher than previously anticipated. Meanwhile, non-farm payrolls increased by 261k in October (+315k in September), which was higher than consensus expectations but the lowest since December 2020. The unemployment rate increased to 3.7% from 3.5% in September and labor participation edged down to 62.2% from 62.3%. Average hourly earnings increased by 0.4% m/m and 4.7% y/y—the slowest annual rate since August 2021.

**Europe:** Eurozone 3Q22 GDP growth slowed to 0.2% q/q (+0.8% Q2). Germany’s output surprised, rising 0.3% q/q (-0.2% forecast) from +0.1%. Euro area October HICP soared more than expected to 10.7% y/y from 9.9% in September, with the core rate jumping to 5.0%. Meanwhile, the Bank of England (BoE) raised the policy rate by 75 bps to 3.0% and began its £80bn balance sheet reduction plan (QT) with a gilt sale of £750mn. The BoE sees more hikes—but not to the 5.2% peak that markets expect—and stated that the UK economy was already in a recession that could last until 1H24, with inflation to peak at 10.9% in 4Q22 before falling to 5.2% by end-2023.

**Financial markets:** Global equities were mixed, with US markets underperforming in a Fed rate hike week. The S&P 500 and DJIA fell 3.3% w/w and 1.4%, respectively. Higher treasury yields were a further drag, with the 10-year UST up 15 bps w/w to 4.16%. The MSCI GCC fell 1.3% w/w, led by Saudi (-2.3%), but Kuwait outperformed (+1.9%).

**Oil:** Brent advanced for a third consecutive week on Friday, closing at a two-month high of \$98.6/bbl (+2.9% w/w; +26.7% ytd) on reports that China was planning to ease some Zero Covid-related travel restrictions. Oil also reversed losses seen after the US rate hike. The US and allies agreed on a fixed rather than a floating price cap for Russian crude oil.

### MENA Region

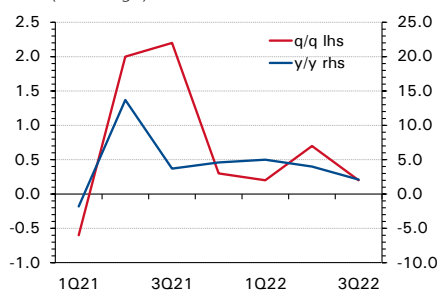
**GCC:** Most GCC central banks hiked key policy rates 75 bps following the US Fed’s move. The major movers included SAMA (benchmark repo and reverse repo rates hiked to 4.5% and 4.0%, respectively), the CBUAE (base rate on overnight deposits to 3.9%), and the QCB (deposit and repo rates up by 75 bps to 4.5% and 4.75%, respectively, lending rate up by 50 bps to 5.0%). The Central Bank of Kuwait left its discount rate unchanged but hiked its key repo rates by 75bps.

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



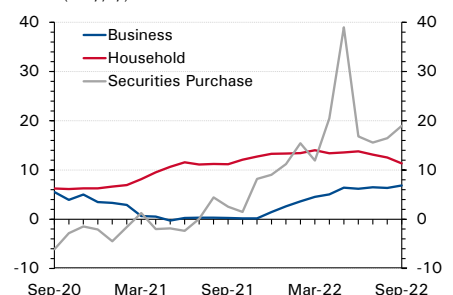
Source: Refinitiv

▶ **Chart 2: Eurozone GDP growth** (% change)



Source: Haver

▶ **Chart 3: Kuwait credit growth** (% y/y)



Source: CBK

**Kuwait:** Parliament finally passed the delayed FY22/23 budget, raising expenditures by KD423m (+1.8%) from the previous draft to KD23.5bn to allow for more welfare spending (front line workers and cash for unused leave). Revenues were also increased, to KD23.4bn, to reflect higher oil prices. A small budget deficit of KD125m is now expected. Inflation, meanwhile, continued to decelerate in September (+3.2% y/y), a fifth consecutive monthly slowdown. Domestic credit increased in September by 0.9% m/m (+9.1% y/y), supported by solid lending to businesses (+6.8% y/y) and households (+11.3%). Deposit growth eased (+5.3% y/y).

**KSA:** According to October’s PMI reading (57.2), private sector activity expanded at its second fastest rate in 12 months, supported by higher output and new orders. Official flash estimates showed GDP increasing by 8.6% y/y in 3Q22 on the back of surging oil sector gains (+14.5% y/y) and higher non-oil (+5.6%) and government (+2.4%) activity. Meanwhile, 3Q22 fiscal data showed a third consecutive quarter of budget surpluses, of SAR14bn (1.5% GDP), with revenue growth (+24% y/y) exceeding expenditure growth (+22% y/y).

**UAE:** The PMI continued to improve in October, rising to 56.6 (56.1 in Sept) on the back of robust output and new orders. The UAE concluded the ‘Partnership for Accelerating Clean Energy’ (PACE) with the US that would see \$100bn deployed to develop 100GW of clean energy by 2035.

**Egypt:** October’s PMI of 47.7 continued to point to challenging business conditions amid inflationary pressures, import controls and global economic uncertainties. Foreign reserves (net) were mostly stable in October at \$33.4bn (versus \$33.2bn in Sept).

### Key takeaways:

- The US Fed raised the prospect of less aggressive rate hikes going forward, but Powell’s hawkish comments indicated that rates may need to rise to a higher level than expected. Markets expect a cumulative 125 bps rise through to March 2023.
- Although Eurozone GDP managed a small gain in Q3, with recent PMI readings pointing to output contraction and further rate hikes by the ECB in the pipeline to address high inflation, growth is likely to turn negative in the fourth quarter.
- The upward revision to Kuwait’s budgeted spending in FY22/23 by MPs, converting a projected small budget surplus in the previous draft to a small deficit, points to the challenges the government could face in tempering additional spending claims given the strong revenue outlook. We expect a fiscal surplus of around KD5bn this year.

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	3,767	6.4	-23.7
DAX	13,460	1.6	-15.3
DJIA	32,403	-1.4	-10.8
Eurostoxx 50	3,688	2.1	-14.2
FTSE 100	7,335	4.1	-0.7
Nikkei 225	27,200	0.3	-5.5
S&P 500	3,771	-3.3	-20.9
<b>Regional</b>			
Abu Dhabi SM	10,482	1.9	23.5
Bahrain ASI	1,862	-0.1	3.6
Dubai FM	3,350	0.0	4.8
Egypt EGX 30	11,262	1.7	-5.7
MSCI GCC	749	-1.3	1.6
Kuwait SE	7,365	1.9	4.6
KSA Tadawul	11,439	-2.3	1.4
Muscat SM 30	4,402	0.0	6.6
Qatar Exchange	12,306	0.4	5.9

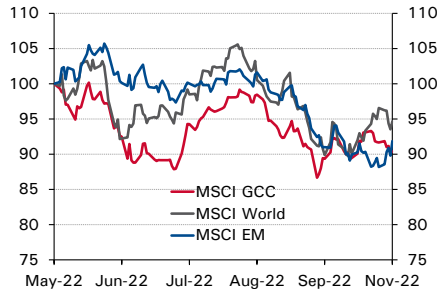
Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	4.16	14.8	264.6
Bunds 10 Year	2.29	20.3	246.8
Gilts 10 Year	3.55	5.4	257.8
JGB 10 Year	0.25	0.5	18.0
<b>Regional</b>			
Abu Dhabi 2027	4.80	6.2	169.2
Oman 2027	6.65	0.5	51.5
Qatar 2026	5.07	9.0	190.6
Kuwait 2027	4.75	0.0	177.0
Saudi Arabia 2028	5.32	13.9	151.6
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	98.6	2.9	26.7
KEC	96.3	0.0	21.8
WTI	92.6	5.4	23.1
Gold	1672.5	2.0	-8.5

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	5.72	49.8	420.0
Kibor - 3 month	3.69	43.8	218.8
Qibor - 3 month	2.45	0.0	132.5
Eibor - 3 month	4.29	18.9	392.8
Saibor - 3 month	5.60	-18.1	469.7
Libor - 3 month	4.55	11.1	434.1
Sofr - 3 month	4.21	12.9	411.5
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.310	0.1	2.5
KWD per EUR	0.309	-1.0	-10.3
USD per EUR	0.996	0.0	-12.4
JPY per USD	146.6	-0.6	27.4
USD per GBP	1.138	-2.0	-15.9
EGP per USD	24.20	4.8	54.5

Updated on 4/11/2022 Source: Refinitiv

### International equity markets

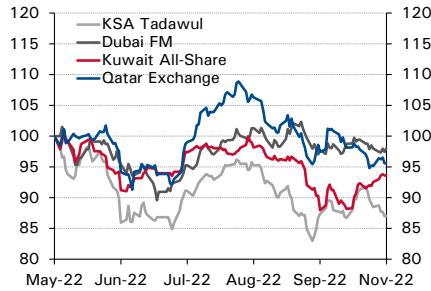
(rebased, 12 May 2022=100)



Source: Refinitiv

### GCC equity markets

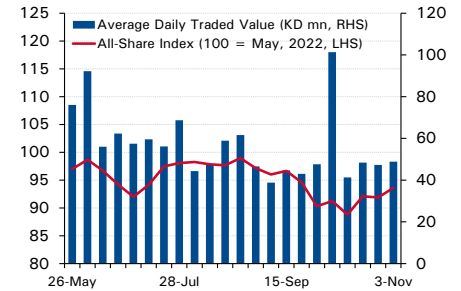
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Source: Refinitiv

### Bursa Kuwait

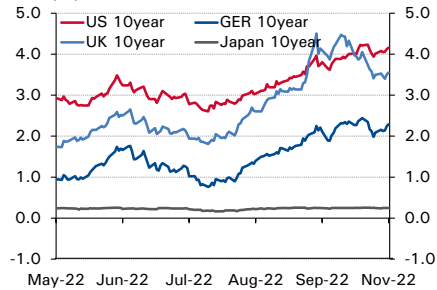
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

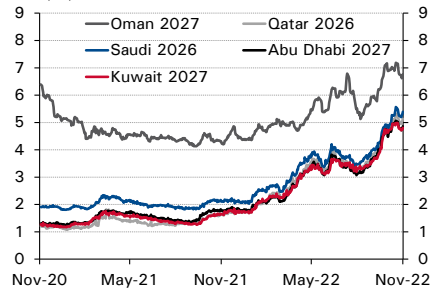
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Source: Refinitiv

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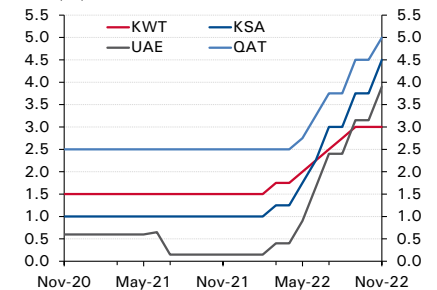
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv