

Daily Economic Update



Economic Research Department
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Oil: Prices fall amid worries of higher-for-longer interest rates. Brent futures settled at a near three-month low of \$82.1/bbl on Friday, shedding 2.2% w/w and reducing year-to-date gains to 6.6%. The decline came amid an easing in oil's geopolitical risk premium and concerns over prolonged high US interest rates and their potential oil demand-curbing effects, following the release of the Federal Reserve's meeting minutes. Weekly data from the US Energy Information Administration showing an increase in commercial crude inventories (+1.8 mb w/w in the w/e 17 May) also added to the bearish sentiment. Recent price declines, coupled with decreasing refinery margins, have pointed to underlying softness in the physical market. OPEC+'s upcoming ministerial meeting, delayed by a day to 2 June, will be held online, which observers have inferred suggests no change in OPEC+ production policy and thus a likely rollover of existing production cuts into H2 and possibly to year-end.

US: Q1 GDP second estimate and April PCE inflation key indicators to watch this week. The second estimate of Q1 GDP growth will be published this Thursday, after the preliminary estimate showed a much weaker-than-expected +1.6% annualized reading, slowing from a very solid +3.4% in Q4 2023. The Fed's preferred inflation gauge, PCE inflation, is due this Friday, with markets keenly looking for cues on the inflation path, with forecasts of an unchanged +0.3% m/m rate in April for core prices. Elsewhere, the rise in home prices (the S&P Case Shiller Index – due tomorrow) is expected to accelerate to 7.5% y/y in March from 7.3% in February as a lack of residential units in the market continues to drive prices higher. Also tomorrow, the Conference Board consumer confidence index will be released for May, with consensus expectations showing a pullback to 95.9 from 97 in April, like the trend seen in the University of Michigan survey earlier.

Japan: BOJ will proceed cautiously with inflation-targeting frameworks, according to the governor. Speaking at a conference and in light of recent policy developments, the Bank of Japan governor mentioned that Japan has made progress in moving away from zero rates and in lifting inflation expectations. He also noted that some challenges are "uniquely difficult" for Japan after years of ultra-easy monetary policy, and that the BOJ will "proceed cautiously" with inflation-targeting frameworks in order to achieve 2% inflation in a sustainable manner. Meanwhile, at the same conference, the BOJ Deputy Governor said that the conclusion of Japan's struggle against persistent deflation is in sight, but also acknowledging that the task of securing inflation expectations at the 2% objective is a big challenge.

Bahrain: S&P reaffirms sovereign rating at B+ with stable outlook. S&P Global Ratings reaffirmed Bahrain's credit standing at B+, maintaining a stable outlook despite challenges from lower oil receipts and a higher interest rate environment. Government support measures implemented last year, and elevated interest rates worsened the budget deficit in 2023, though the rating agency expects the government to continue pursuing fiscal consolidation measures. Meanwhile, GDP growth is seen largely stable over the 2024-2027 period at 2.5%, mainly spurred by non-oil economic activity. Overall, S&P's outlook is similar to our own forecast, though

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we project growth to be higher this year at 3.1%, helped by solid service-sector activity and elevated project spending.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	8,834	n/a	-7.77
Bahrain (ASI)	2,020	0.01	2.48
Dubai (DFMGI)	4,013	n/a	-1.16
Egypt (EGX 30)	27,539	1.23	10.90
GCC (S&P GCC 40)	676	-0.20	-5.11
Kuwait (All Share)	7,129	-0.08	4.58
KSA (TASI)	11,851	-1.21	-0.98
Oman (MSM 30)	4,806	0.06	6.46
Qatar (QE Index)	9,396	-1.74	-13.25

International			
CSI 300	3,601	n/a	4.97
DAX	18,693	n/a	11.59
DJIA	39,070	n/a	3.66
Eurostoxx 50	5,035	n/a	11.36
FTSE 100	8,318	n/a	7.56
Nikkei 225	38,646	n/a	15.49
S&P 500	5,305	n/a	11.21

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.33	0.00	-19.03
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.25	0.00	-7.38
Saudi	6.27	-2.97	6.67
LIBOR	5.60	n/a	1.15
SOFR	5.34	n/a	0.45

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.06	n/a	74.3
Oman 2027	5.82	n/a	65.9
Qatar 2026	5.16	n/a	63.9
Kuwait 2027	5.12	n/a	78.3
Saudi 2028	5.11	n/a	59.1

International 10YR			
US Treasury	4.47	n/a	61.3
German Bund	2.58	n/a	55.4
UK Gilt	4.26	n/a	72.5
Japanese Gvt Bond	1.01	n/a	39.2

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	-0.10
KWD per EUR	0.33	0.30	0.68
USD per EUR	1.08	0.00	-1.73
JPY per USD	156.99	0.00	11.29
USD per GBP	1.27	0.00	0.09
EGP per USD	46.90	-0.42	52.67

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	82.12	n/a	6.59
KEC	83.59	n/a	5.07
WTI	77.72	n/a	8.47
Gold	2332.5	n/a	13.10

Quoted prices/rates collected after close of last trading day (or are most recent available)

Source: Refinitiv / Haver

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