

### International and markets

**US:** Non-farm payrolls increased by a sharply higher-than-expected 467k in January while November/December were revised up by a significant 709k. The unemployment rate edged up slightly to 4% from 3.9% in December as labor participation made a solid increase to 62.2% from 61.9% in December given accelerating wage growth (+5.7% y/y). A separate labor survey showed that the closely-watched quits rate had eased slightly in December, but to a still-elevated 2.9% with 4.34 million workers quitting their job, down from a record 4.5 million in November. Meanwhile, the ISM manufacturing index dropped for the third consecutive month, hitting in January its lowest level since November 2020 as supplier delivery times continued to worsen, but at a slower rate than in December.

**Europe:** The ECB left policy on hold, despite news that Eurozone inflation had hit a record high of 5.1% y/y in January. ECB President Lagarde did however say that higher rates in 2022 were possible. Meanwhile, the Bank of England's MPC voted narrowly 5-4 in favor of raising interest rates by 25 bps to 0.50%, hiking for the second consecutive meeting. A minority of members voted for an even larger 50 bps rise. The bank will also start to reverse its QE program immediately, albeit slowly at first. It now forecasts inflation peaking at above 7% in April while GDP growth for 2022 was cut to 3.75% from 5% before.

**China:** The manufacturing PMI softened to 50.1 in January (50.3 in December), while the services PMI shrank by the most in five months (to 51.1 from 52.7 in December) reflecting the effect of the spread of Covid-19 in a number of provinces.

**Financial markets:** Global equity markets were mostly positive as strong earnings lifted sentiment despite ongoing rate hike concerns. The MSCI AC World gained 1.6% w/w led by the MSCI EM (2.1%) while the S&P500 rose 1.5%. The US 10-year treasury yield surged 14 bps w/w to 1.92%. GCC markets were mixed, with the MSCI GCC (-0.4% w/w) weighed down by Dubai (-1.5%) while Kuwait's All-Share gained 1%.

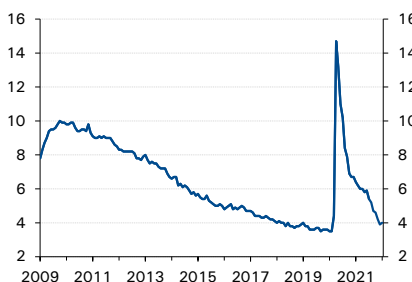
**Oil:** Brent posted a 7<sup>th</sup> consecutive week of gains to close at a fresh 7-year high of \$93.3/bbl (+3.6 w/w, +19.9% ytd) on tight supply and strong demand. Supply issues were further exacerbated by bad weather, with port closures in Libya and some production taken offline in US shale patches amid freezing conditions. OPEC+ agreed last week to continue increasing oil output at the monthly rate of 400 kb/d.

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



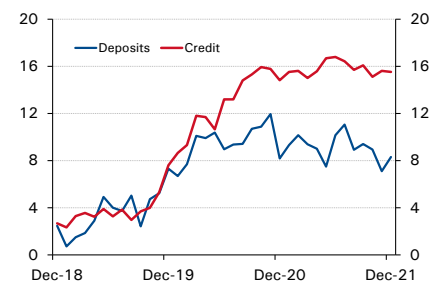
Source: Refinitiv

► **Chart 2: US unemployment rate**  
(%)



Source: Haver

► **Chart 3: KSA credit & deposits growth**  
(% y/y)



Source: SAMA

### MENA Region

**Kuwait:** Media reports mentioned that the government is contemplating reducing the ceiling on prospective debt issuances from KD 20 billion to KD 13 billion, with around KD 8 billion to be borrowed from foreign/local banks and the rest from the Future Generations Fund at market-based interest rates and with a clear repayment schedule.

**Saudi Arabia:** The PMI dropped for the fourth straight month to stand at 53.2 in January (53.9 in December), the lowest level since October 2020 as the spread of Omicron took its toll. Meanwhile, credit growth stood at 15.5% in 2021 as mortgage lending expanded around 40%, other retail credit by 16.8% and corporate credit by an estimated 6.9%. SAMA's reserve assets inched up a limited 0.4% in 2021 to stand at \$455bn (53% of GDP) while banks' combined net profit surged by around 39%.

**UAE:** The government plans to introduce a 9% federal tax on corporate earnings for the first time next year. The PMI slipped to 54.1 in January (55.6 in December), the lowest reading since September on slowing demand given rising Covid-19 cases.

**Oman:** The government expects the budget deficit to reach 5% of GDP this year, well within the parameters of the medium-term fiscal plan set in 2020 to address the country's finances, and is planning to soon raise \$3.5bn from local/regional banks.

**Egypt:** The central bank left key interest rates (9.25% lending rate, 8.25% deposit rate) unchanged at its meeting last week.

#### Key takeaways:

- Following robust US GDP growth in 4Q2021 (6.9% annualized), and despite the strong January jobs report, expectations point to a sharp slowdown in growth in 1Q2022. Still, given the tight labor market and high inflation, the Fed is unlikely to be diverted from multiple rate hikes this year.
- The BofE rate hike and hawkish tone from the ECB confirm a now-greater focus by central banks in Europe on tackling high inflation, which is emerging as a growing headwind to the economic recovery. The BofE will likely raise rates again in March and the ECB will see at least one hike before year-end.
- The UAE's new corporate tax is a step towards aligning the country with the new global minimum tax standard. This may have a limited impact on the country's ability to attract new investments as most GCC countries already impose a corporate income tax on multinational corporations.

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,564	0.0	-7.6
DAX	15,100	-1.4	-4.9
DJIA	35,090	1.0	-3.4
Eurostoxx 50	4,087	-1.2	-4.9
FTSE 100	7,516	0.7	1.8
Nikkei 225	27,440	2.7	-4.7
S&P 500	4,501	1.5	-5.6
<b>Regional</b>			
Abu Dhabi SM	8,733	-0.4	2.9
Bahrain ASI	1,824	0.9	1.5
Dubai FM	3,171	-1.5	-0.8
Egypt EGX 30	11,721	1.9	-1.9
MSCI GCC	787	-0.4	6.7
Kuwait SE	7,400	1.0	5.1
KSA Tadawul	12,142	-0.3	7.6
Muscat SM 30	4,128	-1.0	0.0
Qatar Exchange	12,655	1.2	8.9

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.92	13.7	40.4
Bunds 10 Year	0.21	25.5	38.7
Gilts 10 Year	1.41	16.9	44.1
JGB 10 Year	0.20	3.5	12.9
<b>Regional</b>			
Abu Dhabi 2027	2.09	-0.8	48.0
Oman 2027	4.68	2.5	-74.8
Qatar 2026	2.12	4.1	52.3
Kuwait 2027	2.17	6.3	38.3
Saudi Arabia 2028	2.62	11.3	31.6
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	93.3	3.6	19.9
KEC	92.3	2.2	16.7
WTI	92.3	6.3	22.7
Gold	1806.6	1.2	-1.1

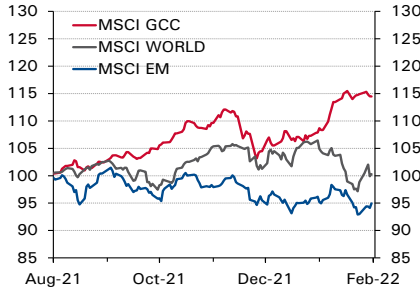
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	1.57	0.0	5.0
Kibor - 3 month	1.50	0.0	0.0
Qibor - 3 month	1.15	0.0	2.5
Eibor - 3 month	0.46	0.7	9.7
Saibor - 3 month	1.01	3.6	10.8
Libor - 3 month	0.34	2.2	13.0
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.302	-0.2	-0.1
KWD per EUR	0.340	0.0	0.0
USD per EUR	1.145	2.7	0.7
JPY per USD	115.2	0.0	0.1
USD per GBP	1.353	0.9	0.0
EGP per USD	15.71	-0.1	0.3

Updated on 4/2/2022

Source: Refinitiv

### International equity markets

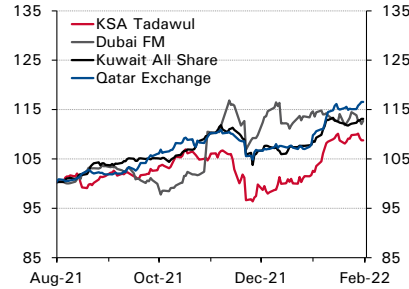
(rebased, 5 August 2021=100)



Source: Refinitiv

### GCC equity markets

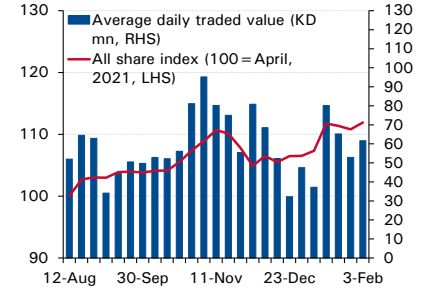
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Source: Refinitiv

### Bursa Kuwait

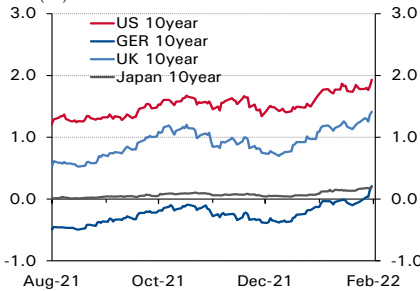
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

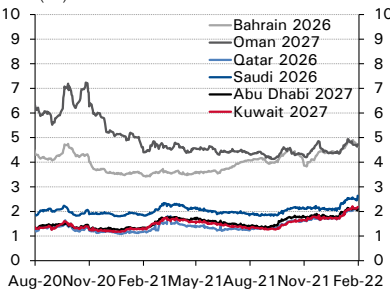
(%)



Source: Refinitiv

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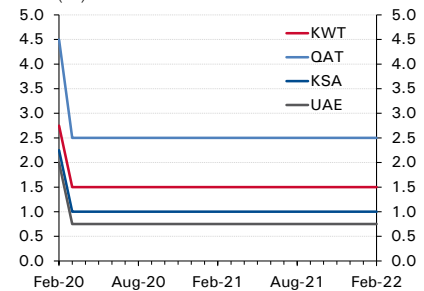
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv