

International and markets

US: In an interview, Fed chair Powell reiterated that further rate hikes would be appropriate to bring inflation down to the 2% target, a process that would take some time despite the start of a disinflationary phase. Other Fed officials echoed similar views in separate interactions. On economic data, University of Michigan consumer sentiment index in February improved to a better-than-forecast 13-month high of 66.4 from 64.9 in January. However, consumers' one-year inflation expectations rose to 4.2% from 3.9%. Weekly jobless claims increased to 196K from 183K in the previous week but still signaled a tight job market. Meanwhile, CPI inflation in December was revised upward to +0.1% m/m from -0.1% estimated earlier on annual adjustments to seasonal factors.

Europe: UK GDP saw no growth in Q4 2022, coming in line with expectations. However, growth showed improvement versus Q3 which witnessed a 0.2% contraction. On a year-on-year basis, growth came in line with forecasts at 0.4% y/y, but well below the 1.9% witnessed in Q3 2022. The UK economy has now skipped two consecutive quarters of negative growth thus narrowly escaping what would be defined as a technical recession. GDP contractions remain feasible in 1H23 however.

China: Consumer price inflation accelerated to 2.1% y/y in January from 1.8% in December as the removal of pandemic measures spurred consumption. Producer prices, however, remained in deflation territory for the fourth consecutive month (-0.8% y/y) as commodity prices eased in January.

Financial markets: Global equity markets were mostly negative amid hawkish Fed comments and rate hike concerns. Declines were led by the Euro Stoxx 50 (-1.4%) while the S&P500 fell 1.1% w/w. Bond yields surged on higher interest rate expectations, with the US 10-year treasury yield up 21 bps w/w to near six week high of 3.74%. The MSCI GCC followed suit (-2%), weighed down by Saudi Arabia (-2.7%) and Qatar (-2.6%), while Kuwait was little changed.

Oil: Brent had surged 8.1% w/w to \$86.4/bbl (+0.6% ytd) by Friday's close, boosted by Russia's announcement that it will reduce output by 500 kb/d from March in retaliation for Western energy sanctions. Prices were also supported last week by an unexpected increase in Saudi official selling prices, a spate of supply disruptions from Norway to Turkey and higher US refinery run rates.

MENA Region

Kuwait: Real estate sales totaled KD 276 million in January (+16.5% y/y, +32% m/m), lifted by strong performances in both the commercial (+36% y/y) and investment (49% y/y) sectors while the residential sector (-2.6% y/y) continued to see some softness brought on by higher home prices and market uncertainty.

UAE: Dubai's inflation increased in December 2022 to 5.2% y/y, up from 4.7% in November, on rising transportation (10.4%) and housing (mainly rents) costs (4.9%), making 2022 annual inflation 4.7%, while core inflation stood at 1.9%.

Egypt: Headline inflation spiked to 25.8% y/y in January 2023 and 4.7% m/m, driven largely by a 48% rise in food costs which constitute more than 30% of the CPI basket. Core inflation meanwhile rose even faster at 31.2% versus 24.4% for the previous month. As we speak, headline inflation is the highest since November 2017.

Key takeaways:

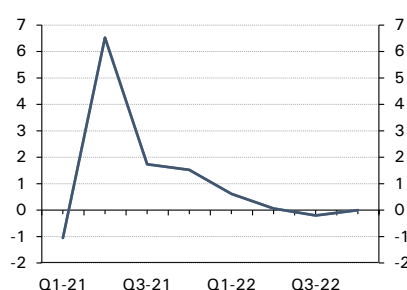
- Following further solid US job data and an overall improving outlook, interest rate futures now project a higher peak in the Fed target rate of 5.25% (similar to the Fed's own 'dot-plot' projections), with anticipation of only a 25bps cut by year-end.
- China's CPI inflation although up in January remains low in comparison to other large economies, paving the way for the central bank to step in and support the economy should the post-pandemic recovery prove to be slower than expected.
- Our expectation of a tighter oil market in 2023 moved a step closer after Russia's largely anticipated decision to voluntarily cut oil output in response to sanctions. With Chinese oil demand rising and non-OPEC supply growth underwhelming, markets may before long begin to look to OPEC again to relieve supply (and price) pressures.
- The spike in Egypt's inflation rate came well above our forecasts and the market consensus. This partially reflected a stronger-than-expected initial pass through from January's currency devaluation along with the continuous second round impact of the October fall. This will strengthen the conviction that the central bank will hike rates by 100-200 bps in its next meeting in order to keep inflation under control.

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



Source: Refinitiv

► **Chart 2: UK GDP**
(% q/q)



Source: Haver

► **Chart 3: Egypt Inflation**
(% y/y)



Source: Haver

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,106	-0.9	6.1
DAX	15,308	-1.1	9.9
DJIA	33,869	-0.2	2.2
Eurostoxx 50	4,198	-1.4	10.7
FTSE 100	7,882	-0.2	5.8
Nikkei 225	27,671	0.6	6.0
S&P 500	4,090	-1.1	6.5
Regional			
Abu Dhabi SM	10,023	0.9	-1.8
Bahrain ASI	1,937	0.8	2.2
Dubai FM	3,454	2.1	3.5
Egypt EGX 30	17,614	8.4	20.7
MSCI GCC	684	-2.0	-1.0
Kuwait SE	7,340	0.1	0.7
KSA Tadawul	10,412	-2.7	-1.3
Muscat SM 30	4,769	1.0	-2.1
Qatar Exchange	10,424	-2.6	-2.4

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.74	21.1	-8.8
Bunds 10 Year	2.37	17.2	-19.5
Gilts 10 Year	3.40	34.3	-27.0
JGB 10 Year	0.50	0.9	7.7
Regional			
Abu Dhabi 2027	4.16	28.6	-1.7
Oman 2027	5.51	37.9	-7.9
Qatar 2026	4.44	30.6	-0.9
Kuwait 2027	4.15	31.0	-2.7
Saudi Arabia 2028	4.64	37.0	-0.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	86.4	8.1	0.6
KEC	84.7	4.9	3.2
WTI	79.7	8.6	-0.7
Gold	1862.8	0.0	2.4

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhivor - 3 month	6.25	6.4	10.8
Kibor - 3 month	4.19	0.0	18.8
Qibor - 3 month	5.35	15.0	6.7
Eibor - 3 month	4.88	13.6	57.0
Saibor - 3 month	5.50	0.2	28.8
Libor - 3 month	4.87	3.5	10.2
Sofr - 3 month	4.76	7.2	16.8
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.305	0.2	-0.1
KWD per EUR	0.327	-2.5	-0.3
USD per EUR	1.068	-1.1	-0.3
JPY per USD	131.4	0.2	0.2
USD per GBP	1.206	0.1	-0.3
EGP per USD	30.45	0.7	23.1

Updated on 10/2/2023

Source: Refinitiv

International equity markets

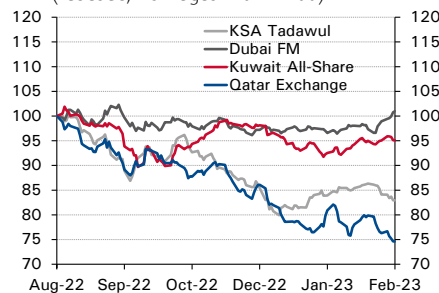
(rebased, 19 August 2022=100)



Source: Refinitiv

GCC equity markets

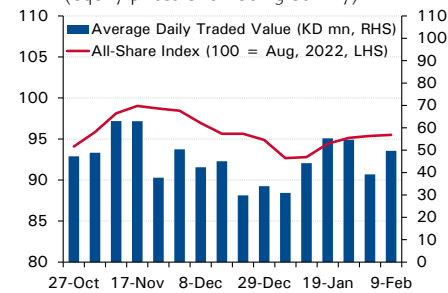
(rebased, 18 August 2022=100)



Source: Refinitiv

Boursa Kuwait

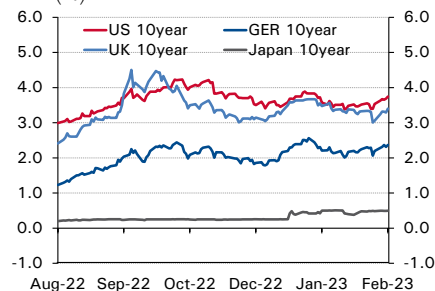
(equity prices and trading activity)



Source: Refinitiv

International bond yields

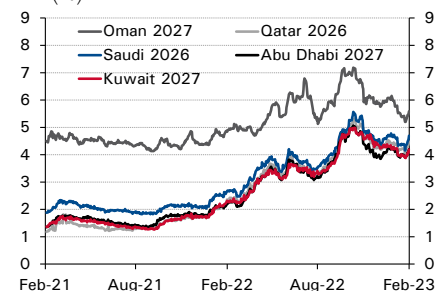
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Source: Refinitiv

GCC bond yields

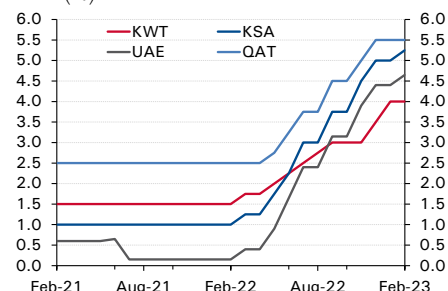
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv