

### International and markets

**US:** The Fed's December meeting minutes showed that ongoing rate increases would be appropriate and that an "unwarranted easing in financial conditions" due to "misperception by the public" would complicate the Fed's effort to restore price stability. Members did not anticipate any rate cuts in 2023. Meanwhile, December data showed monthly non-farm payroll additions softening further, to 223K from 256K (albeit higher than the 200K that was forecast) and unemployment continuing to fall, to 3.5% from 3.6%. The rise in average hourly earnings also softened, to 4.6% y/y from 4.8%. However, the ISM PMIs for December showed manufacturing activity retreating further, to a 31-month low of 48.4 (from 49 in November), and services unexpectedly falling into contraction territory (to 49.6 from 56.5) the sharpest fall since 2009 (outside the pandemic).

**Europe:** Softer energy prices helped push Eurozone HICP headline inflation down more than expected in December to 9.2% y/y, a four-month low, from 10.1% in November. However, the core rate accelerated to a record high of 5.2% y/y from 5%, suggesting price pressures remain sticky beyond energy. Meanwhile, the final composite PMI for December came in better than expected at 48.8, implying easing contraction. Economic sentiment also improved, to a four-month high of 95.8. Finally, retail sales in November rebounded by 0.8% m/m from -1.5% in October, driven by higher fuel sales at pumps.

**China:** As it eases travel restrictions ahead of the Chinese New Year, the government will no longer require visitors to the country to quarantine on arrival. Meanwhile, the official composite PMI fell to a 34-month low (42.6) in December as service activity deteriorated (41.6).

**Financial markets:** Global equities rallied last week, with the latest jobs report tempering the Fed policy outlook. The MSCI AC WI gained 2.1% w/w, led by European equities (Euro Stoxx-50 up 5.9%), helped by easing Eurozone inflation, and the S&P 500 rose 1.4% w/w. GCC markets were mixed amid oil market volatility, with the MSCI GCC up 0.5% w/w, led by Qatar (4.3%), while Kuwait shed 2.3%.

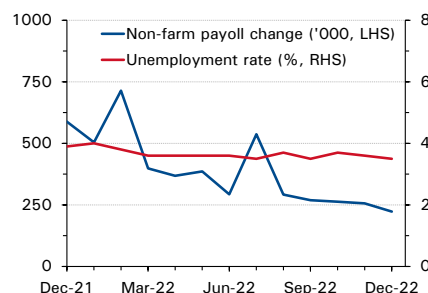
**Oil:** Brent dropped 8.5% w/w in the first week of the year to close at \$78.6/bbl on elevated economic and oil demand concerns. This came amid warnings by the IMF that one third of the world economy could be in recession in 2023 and despite the relatively positive US labor market report on Friday.

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



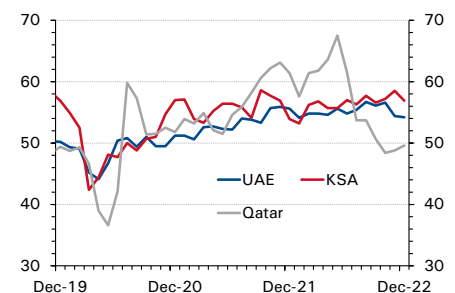
Source: Refinitiv

► **Chart 2: US non-farm payrolls**



Source: Haver

► **Chart 3: GCC PMIs** (50=no change)



Source: IHS Markit

### MENA Region

**Kuwait:** Producer price inflation (PPI) eased in 3Q22 (-7.7% q/q; +37.7% y/y) on declines in input prices for extractive industries. Meanwhile, government and parliament remain at loggerheads over MP plans to write off citizens' loans.

**Saudi:** Business activity (PMI) softened slightly in December, edging down from November's more-than-one year high of 58.5 to 56.9. Output growth moderated, but employment grew at its fastest rate in nearly five years.

**UAE:** Non-oil sector growth (PMI) slipped again in December (to 54.2 from 54.4 in November) on softening output and new orders. In other news, Dubai's government unveiled the "Dubai Economic Agenda D33", a AED32 trillion (\$8.7 trillion) economic plan comprising 100 transformational projects over the next ten years to increase trade (to AED25.6trn) and investment (to AED650bn) and double the size of Dubai's economy.

**Qatar:** The contraction in non-oil private sector activity (PMI) eased in December (to 49.6 from 48.8) on FIFA World Cup-related gains in wholesale, retail and services activity.

**Bahrain:** Real GDP grew 4.2% y/y (-2.6% q/q) in 3Q22 on a pick-up in both oil (+1.2% y/y; +2.7% q/q) and non-oil sector activity (+4.9% y/y; -3.7% q/q).

**Egypt:** The Central Bank of Egypt (CBE) devalued the currency (EGP) by 9%, to EGP27.2 per USD (vs. EGP24.7 per USD at 3 January close). Pre-move, state banks Banque Misr and National Bank of Egypt issued an annual 25% Certificate of Deposit (CD).

#### Key takeaways:

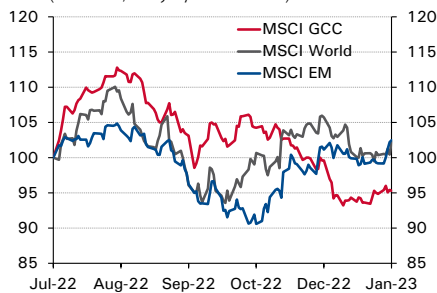
- While momentum is slowing, the US jobs market is still relatively tight. Despite the Fed not anticipating rate cuts in 2023, markets still project a 50 bps cut in 2H23 after the Fed reaches its terminal rate of 5% (mid-2023), on the expectation of a further deceleration in inflation and economic activity.
- A relatively warm winter has helped mitigate the risk of a severe downturn in the Eurozone. However, the sustained rise in ex-energy consumer prices, could push the ECB to maintain the pace of tightening at its upcoming meetings.
- Oil price softness reflects currently heightened global recession fears and weaker-near term fundamentals but should start firming once China overcomes its Covid surge and Russia begins to shut-in oil production post-EU oil embargo.
- The CBE's currency move came after banks announced clearance of US\$6bn worth of goods from the imports backlog. Further pressure on EGP is expected as the CBE attempts to close the gap between the official and unofficial market rates.

## Key data

Stock markets	Index	Change (%)		Bond yields	%	Change (bps)		Interbank rates	%	Change (bps)									
		1-week	YTD			1-week	YTD			1-week	YTD								
<b>International</b>																			
CSI 300	3,981	2.8	2.8	UST 10 Year	3.57	-26.0	-26.0	Bhibor - 3 month	6.14	0.0	0.0								
DAX	14,610	4.9	4.9	Bunds 10 Year	2.21	-35.3	-35.3	Kibor - 3 month	4.06	6.3	6.3								
DJIA	33,631	1.5	1.5	Gilts 10 Year	3.48	-19.4	-19.4	Qibor - 3 month	5.32	3.3	3.3								
Eurostoxx 50	4,018	5.9	5.9	JGB 10 Year	0.50	8.2	8.2	Eibor - 3 month	4.51	20.3	20.3								
FTSE 100	7,699	3.3	3.3	<b>Regional</b>															
Nikkei 225	25,974	-0.5	-0.5	Abu Dhabi 2027	4.24	0.7	0.2	Oman 2027	6.06	7.2	1.2								
S&P 500	3,895	1.4	1.4	Qatar 2026	4.34	-14.3	-3.2	Kuwait 2027	4.16	-11.3	-2.6								
<b>Regional</b>																			
Abu Dhabi SM	10,198	-0.1	-0.1	Saudi Arabia 2028	4.62	-4.8	-1.0	<b>Exchange rates</b>				rate	Change (%)						
Bahrain ASI	1,893	-0.1	-0.1	<b>Commodities</b>															
Dubai FM	3,302	-1.0	-1.0	Brent crude	78.6	-8.5	-8.5	1-week YTD											
Egypt EGX 30	16,002	9.6	9.6	KEC	77.3	-5.8	-5.8	KWD per USD	0.306	0.1	0.1								
MSCI GCC	694	0.5	0.5	WTI	73.8	-8.1	-8.1	KWD per EUR	0.326	0.2	-0.4								
Kuwait SE	7,122	-2.3	-2.3	Gold	1864.2	2.4	2.4	USD per EUR	1.064	-0.5	-0.5								
KSA Tadawul	10,532	0.5	-0.1	<b>Updated on 6/1/2023</b>															
Muscat SM 30	4,868	0.2	-0.1	<b>Source: Refinitiv</b>															
Qatar Exchange	11,145	4.3	4.3																

### International equity markets

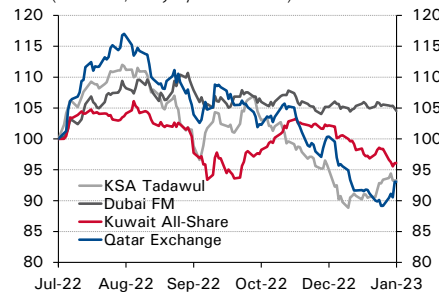
(rebased, 15 July 2022=100)



Source: Refinitiv

### GCC equity markets

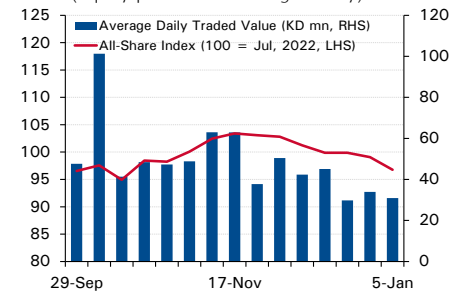
(rebased, 14 July 2022=100)



Source: Refinitiv

### Bursa Kuwait

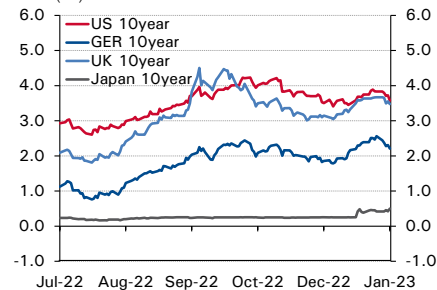
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

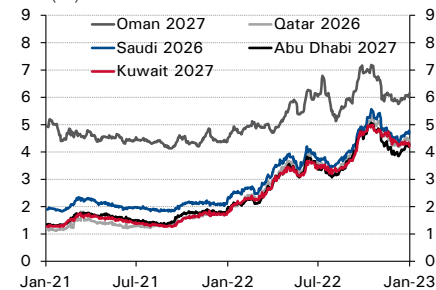
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Source: Refinitiv

### GCC bond yields

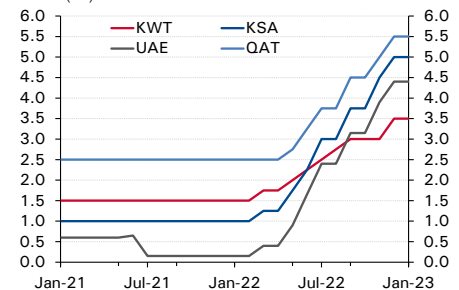
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv