

### International and markets

**US:** Inflation in August came in at a worse-than-expected 8.3% (+0.1% m/m), but down from 8.5% in July. Core inflation surprised on the upside, with a broad-based rise of 6.3% (+0.6% m/m) from 5.9% the month before. On the other hand, producer prices dropped for the second straight month (+ 8.7% y/y; -0.1% m/m). In addition, after peaking at 5.4% in April, the University of Michigan's year-ahead inflation expectations continued to drop, falling 4.6% in September (from 4.8% in August), the lowest level in a year.

**Eurozone:** The Eurozone's ZEW economic sentiment survey plummeted to -60.7 in September from -54.9 in August. Also, industrial production tumbled 2.3% m/m in August, the worst drop in two years, from an upwardly revised 1.1% rise in June. Meanwhile, UK GDP recovered in July, growing 0.2% m/m on a rebound in services activity. Output still undershot expectations (+0.5%), though. Headline CPI inflation unexpectedly eased in August to 9.9% y/y (from 10.1% in July) on a fall in fuel prices. The core rate rose, however, to 6.3% from 6.2%. Retail sales volume in August fell by a greater-than-expected 5.3% y/y (consensus of -4.2%) as higher costs affected spending.

**China:** Economic data was better than expected in August, with retail sales, industrial production and fixed investment increasing in y/y terms by 5.4%, 4.2% and 5.8%, respectively. But house prices continued to fall (-1.3% y/y), on the back of mortgage boycotts and developers' continued financial woes.

**Japan:** In August, Japan's trade deficit reached a record high of 2.82 trillion yen (\$19.7bn) amid a weaker yen that has contributed to soaring import costs (+50% y/y) and put further strain on the nation's economic recovery.

**Financial markets:** Global equity markets were broadly negative on higher-than-expected US inflation data, which has reinforced rate hike and recession fears. The MSCI ACWI fell a steep 3.8% w/w, led by the S&P 500 (-4.8%) in the sharpest weekly rout since June. The US 10-year treasury yield rose 12.6 bps to a near 3-month high of 3.45%. The MSCI GCC bucked the trend, gaining 1.4%, led by Abu Dhabi and Dubai amid a still positive oil demand outlook. Kuwait's All-Share rose 0.7%.

**Oil:** Brent fell to \$91.4/bbl (-1.6% w/w; +17.4% ytd) on Friday, a third consecutive week of losses, on heightened global economic slowdown fears. The IEA trimmed its global oil demand growth forecast in 2022 (-110 kb/d to 2 mb/d), with China recording a first annual decline in oil consumption (due to

Covid-19 curbs) since 1990. Global oil demand should increase by 2.1 mb/d in 2023.

### MENA Region

**Kuwait:** According to media reports, Kuwait's budget deficit for the last fiscal year (FY21/22) came to KD1.8bn (-4.3% of GDP). Meanwhile, liquidity in the General Reserve Fund was quoted as reaching KD2.8 billion (\$9bn) recently. It was also reported that the authorities planned to merge a number of government agencies in order to cut expenditures and improve efficiency.

**Saudi Arabia:** Inflation reached 3% in August (+0.4% m/m), driven by price increases in the food and beverages (+4% y/y) and restaurants/hotels (+7.3%) categories. S&P Global Ratings maintained the country's rating at A- (positive outlook).

**Qatar:** Inflation eased for the second consecutive month in August, to 4.8% y/y, on moderating increases in the recreation and culture, and restaurants and hotels sectors.

**Oman:** Total outstanding bank credit grew by 4.1% y/y to RO28.4bn as of June 2022. Total deposits were also up, by 5.4% y/y to RO26.3bn. Private deposits were up slightly (+1.0% y/y).

**Egypt:** Expat remittances were stable at \$18.7bn during the first 7M22 (+0.2% y/y). Meanwhile, the trade deficit declined in June 2022 (-12.4% y/y) on lower imports (-7.7%) and lower exports (-3.3%). Finally, the Egyptian authorities will raise the cost for ships transiting the Suez Canal by 10-15% from January 2023, citing rising operations and maintenance costs.

### Key takeaways:

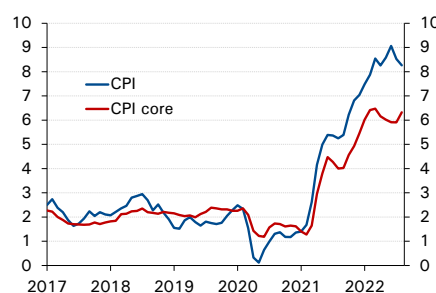
- The worse-than-expected US inflation reading in August – especially the core measure – has almost certainly cemented the prospect of a 75 bps rate hike by the US Fed this week. A further increase of 100 bps is expected by year-end.
- In the UK, although inflation came in slightly lower than expected in August, it remains very high and the BOE seems almost certain to deliver a big interest rate rise this week. Anything less than 75 bps (matching the Fed and the ECB) could see sterling come under pressure once again.
- Oil market sentiment has deteriorated considerably in recent weeks, linked to pessimism over the global economic outlook. But the EU ban on Russian seaborne oil from December should tighten the market substantially, and with US shale oil growth lackluster and OPEC+ spare capacity limited, prices still have upside potential.

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



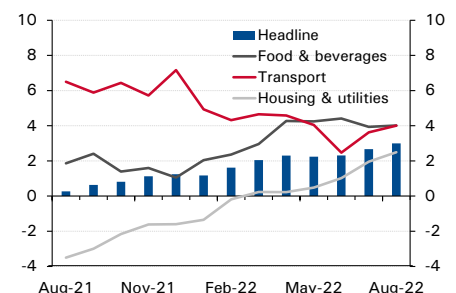
Source: Refinitiv

▶ **Chart 2: US inflation**  
(% y/y)



Source: Haver

▶ **Chart 3: Saudi inflation**  
(% y/y)



Source: GASTAT

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	3,933	-3.9	-20.4
DAX	12,741	-2.7	-19.8
DJIA	30,822	-4.1	-15.2
Eurostoxx 50	3,500	-2.0	-18.6
FTSE 100	7,237	-1.6	-2.0
Nikkei 225	27,568	-2.3	-4.3
S&P 500	3,873	-4.8	-18.7
<b>Regional</b>			
Abu Dhabi SM	10,202	4.1	20.2
Bahrain ASI	1,939	0.6	7.9
Dubai FM	3,489	3.8	9.2
Egypt EGX 30	10,079	-1.8	-15.7
MSCI GCC	776	1.4	5.3
Kuwait SE	7,606	0.7	8.0
KSA Tadawul	11,830	0.0	4.9
Muscat SM 30	4,479	-0.8	8.5
Qatar Exchange	13,244	2.3	13.9

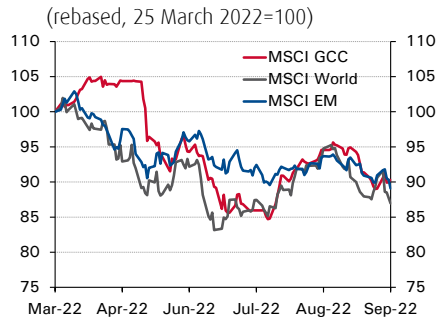
Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	3.45	12.6	193.5
Bunds 10 Year	1.77	6.5	194.4
Gilts 10 Year	3.14	4.4	216.7
JGB 10 Year	0.26	0.5	18.5
<b>Regional</b>			
Abu Dhabi 2027	4.00	28.0	123.9
Oman 2027	6.12	32.9	39.3
Qatar 2026	4.07	21.7	133.0
Kuwait 2027	3.79	13.7	120.8
Saudi Arabia 2028	4.22	27.4	99.6
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	91.4	-1.6	17.4
KEC	98.8	0.6	25.0
WTI	85.1	-1.9	13.2
Gold	1671.7	-2.6	-8.5

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	4.22	4.9	270.3
Kibor - 3 month	2.63	0.0	112.5
Qibor - 3 month	2.45	0.0	132.5
Eibor - 3 month	3.29	43.5	292.5
Saibor - 3 month	3.44	18.5	253.9
Libor - 3 month	3.57	32.0	335.6
Sofr - 3 month	3.45	38.2	335.6
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.309	0.2	2.3
KWD per EUR	0.310	0.1	-10.0
USD per EUR	1.002	-0.2	-11.9
JPY per USD	142.9	0.3	24.2
USD per GBP	1.141	-1.5	-15.6
EGP per USD	19.40	0.5	23.9

Updated on 16/9/2022

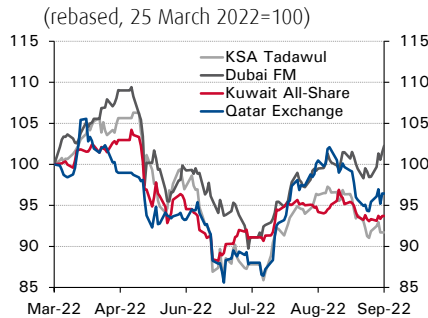
Source: Refinitiv

### International equity markets



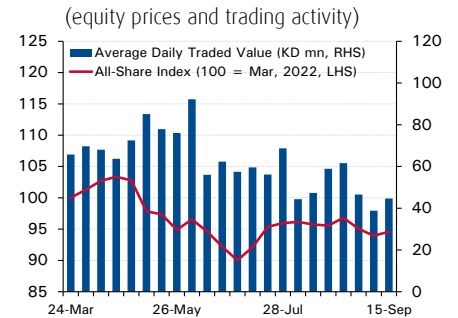
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### GCC equity markets



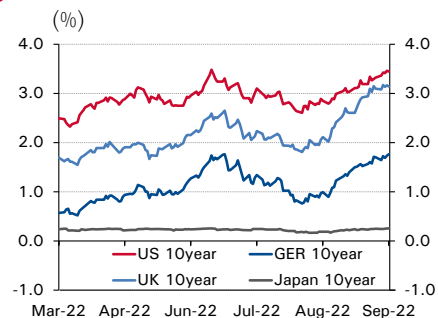
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### Boursa Kuwait



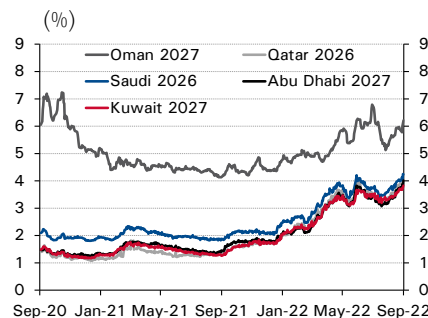
Source: Refinitiv

### International bond yields



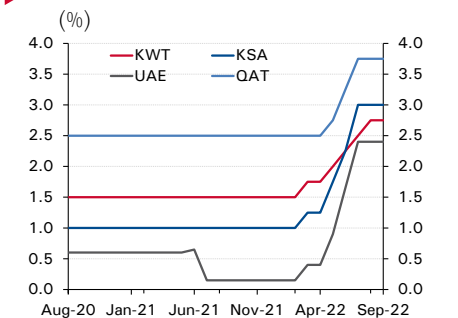
Source: Refinitiv

### GCC bond yields



Source: Refinitiv

### GCC key policy rates



Source: Refinitiv