

International and markets

US: The US government hit its debt ceiling of \$31.4 trillion last week, and Treasury secretary Yellen began funds management measures to buy time. US producer price inflation declined more than forecast by 0.5% m/m (+6.2% y/y) in December from +0.2% in November on deflating goods prices (-1.6%), but services rose 0.1%. Retail sales in December contracted worse than expected, -1.1% m/m from -1% in November. Industrial production in December also fell 0.7% m/m from -0.6% in November, signaling weakening demand. The housing market showed further signs of softening in December with declining existing home sales and falling building permits.

Europe: UK inflation in December came in at 10.5% y/y, in line with the forecast, and slightly below November's 10.7%, with the m/m rate unchanged at 0.4%. The core rate was 6.3% y/y, the same as last month, but accelerated on a monthly basis to 0.5% from 0.3%. The unemployment rate remained steady at 3.7% in three months to November. As for the Eurozone, the final headline inflation in December was unrevised at 9.2% y/y and -0.4% m/m, with core at 5.2% y/y versus 5% in November. Meanwhile, the ZEW economic sentiment for the Eurozone saw a positive reading at 16.7 for the first time since February 2022, showing an improving trend for the fourth consecutive month.

China: GDP grew 2.9% y/y in 4Q22, bringing overall growth for 2022 to 3%, below the government's official target of 5.5%. Meanwhile, economic indicators for December were weak but still beat consensus, with industrial production and fixed asset investment growing 1.3% y/y and 5.1% y/y, respectively.

Financial markets: Global equities were mostly negative as hawkish Fed comments stoked growth and earnings concerns. US markets led the decline with DJIA and S&P500 down 2.7% and 0.7% w/w respectively. The Chinese CSI 300 bucked the trend, up 2.6% as re-opening boosted sentiment. The MSCI GCC was little changed (-0.3%) with Kuwait's All-Share up 1.8%.

Oil: Brent rallied to a fresh 2-month high of \$87.6/bbl (+2.8% w/w; +2.0% ytd) on Chinese oil demand-related optimism. Chinese refiners were issued larger import quotas and oil purchases were increasing ahead of the Lunar New Year. The IEA also raised its 2023 oil demand growth forecast by 0.2 mb/d to 1.9 mb/d—with half the gains coming from Chinese demand.

MENA Region

Kuwait: The political and legislative impasse has persisted into the New Year, with parliament continuing to push controversial

legislation including a consumer debt write-off and increases in welfare spending met by the government's refusal to attend further assembly sessions. Meanwhile, consumer price inflation was stable in December at 3.2% y/y (+0.7% m/m). Still, key categories saw significant price rises including hospitality, food & beverages, and clothing. Housing services (mostly rents) saw its largest rise in a year of 0.8% m/m, though the y/y rate eased to 1.4%. Inflation stood at 4% in 2022 overall.

Saudi Arabia: Consumer price inflation increased by 3.3% in December (+0.3% m/m). The main drivers in 2022 were rentals (+6.8%), food and beverages (+4.2%), and transport prices (+4.1%). For 2022 as a whole, inflation averaged 2.5%.

UAE: Dubai's inflation increased to 5.2% y/y in December 2022, up from 4.7% in November mainly on housing rents (4.9%) and transportation (10.4%), elevating the average inflation rate to 4.7% in 2022, up from -2.2% in 2021. Meanwhile, in a further sign of a hot real estate market, Dubai's real estate transaction volumes were up by 62% in 2022, with values of AED266 billion, a 78% increase over 2021.

Egypt: Following recent EGP volatility, a statement by the central bank highlighted a rise in FX inflows to the banking system helped by Egyptians selling dollars to banks, higher remittances, strong tourism inflows and a recovery of foreign portfolio inflows. It also mentioned that Egyptian banks managed to fulfill import obligations of USD2bn in recent days while promoting FX derivative instruments to help their clients hedge against FX volatility.

Key takeaways:

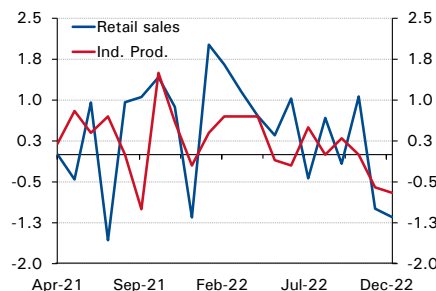
- With the US debt ceiling once again reached, extraordinary measures by the Treasury can delay a government default by a few months. But with Republicans who now control the House seeking spending cuts, a political accord on raising the ceiling is unlikely to be easy, keeping financial markets unnerved.
- Helped by falling energy costs, headline inflation rates across Europe are softening but core rates remain stickier. We think the latter – together with rising optimism that a deep recession can be avoided this year – means that both the ECB and BOE will hike interest rates by another 50 bps in February.
- Dubai's real estate market bounced back strongly last year driven by overseas demand from European and Asia investors. The boost from this source could be smaller this year (although China's reopening will help), while rising interest rates and higher property valuations may also help cool market growth.

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



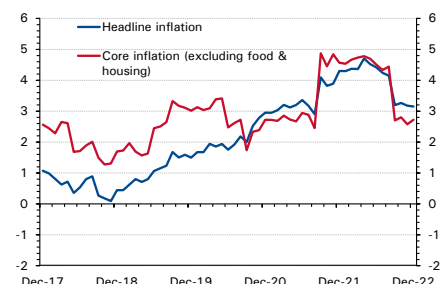
Source: Refinitiv

▶ **Chart 2: US retail sales & ind. Prod.**
(%)



Source: Haver

▶ **Chart 3: Kuwait's Consumer inflation**
(%, y/y)



Source: Haver

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,182	2.6	8.0
DAX	15,034	-0.4	8.0
DJIA	33,375	-2.7	0.7
Eurostoxx 50	4,120	-0.7	8.6
FTSE 100	7,771	-0.9	4.3
Nikkei 225	26,554	1.7	1.8
S&P 500	3,973	-0.7	3.5
Regional			
Abu Dhabi SM	10,187	-0.2	-0.2
Bahrain ASI	1,927	1.9	1.7
Dubai FM	3,353	0.9	0.5
Egypt EGX 30	16,066	3.3	10.1
MSCI GCC	699	-0.3	1.1
Kuwait SE	7,257	1.8	-0.5
KSA Tadawul	10,682	-0.6	1.3
Muscat SM 30	4,798	-1.7	-1.5
Qatar Exchange	10,811	-1.6	1.2

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.48	-2.7	-34.7
Bunds 10 Year	2.17	2.8	-39.1
Gilts 10 Year	3.38	1.3	-28.8
JGB 10 Year	0.40	-10.6	-1.8
Regional			
Abu Dhabi 2027	3.94	-12.0	-6.9
Oman 2027	5.48	-20.6	-8.6
Qatar 2026	4.10	-24.0	-8.5
Kuwait 2027	3.93	-24.0	-8.0
Saudi Arabia 2028	4.32	-26.3	-7.5
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	87.6	2.8	2.0
KEC	86.2	3.6	5.0
WTI	81.3	1.8	1.3
Gold	1926.4	0.4	5.9

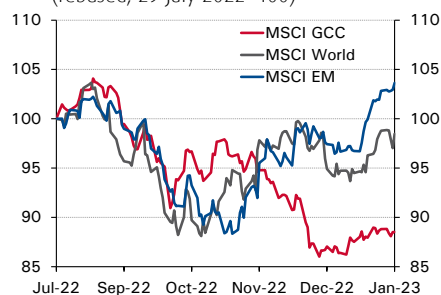
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	6.14	0.0	0.0
Kibor - 3 month	4.06	0.0	6.3
Qibor - 3 month	5.32	6.7	3.3
Eibor - 3 month	4.48	-4.1	17.1
Saibor - 3 month	5.47	11.8	25.6
Libor - 3 month	4.82	2.3	4.8
Sofr - 3 month	4.66	2.5	7.1
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.305	0.1	-0.1
KWD per EUR	0.332	0.7	1.3
USD per EUR	1.086	0.2	1.4
JPY per USD	129.6	1.3	-1.2
USD per GBP	1.239	1.4	2.4
EGP per USD	29.79	1.0	20.4

Updated on 20/1/2023

Source: Refinitiv

International equity markets

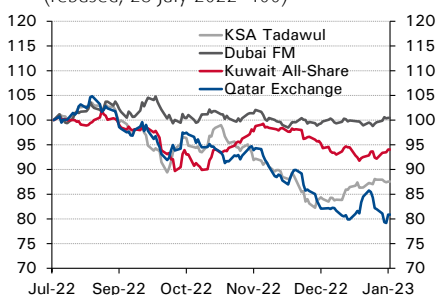
(rebased, 29 July 2022=100)



Source: Refinitiv

GCC equity markets

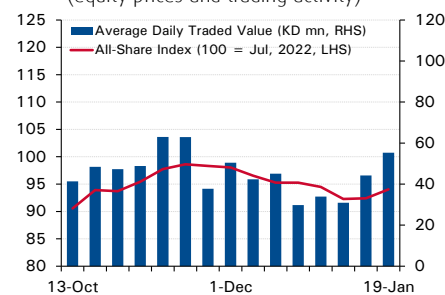
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Source: Refinitiv

Boursa Kuwait

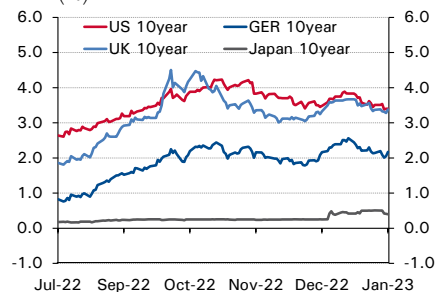
(equity prices and trading activity)



Source: Refinitiv

International bond yields

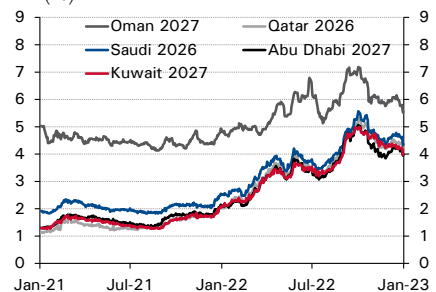
(%)



Source: Refinitiv

GCC bond yields

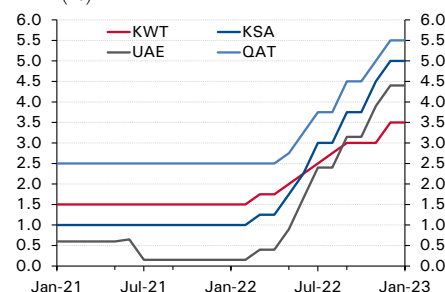
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv