

International and markets

US: Consumer price inflation edged down to 8.3% y/y through April from 8.5% in March, though it came higher than the 8.1% expected. The core rate increased by 0.6% m/m in April, resulting in a 6.2% y/y increase (versus 6.5% the month before) with the goods category up 9.7% y/y and the services one advancing 4.9%. Transportation services (+3.1% m/m) was a main driver of the increase in the core rate in April. Meanwhile, the government posted a record monthly budget surplus (\$308 billion) in April, easily beating expectations, as revenues soared to an all-time high of \$864 billion mainly driven by a surge in individual income taxes.

Europe: ECB president Lagarde hinted that the bank will hike interest rates at its July 21 meeting, saying that a hike could come 'a few weeks' after bond purchases end early July. Meanwhile, the EU's proposal to stop oil imports from Russia by year-end is being blocked by smaller countries including Hungary, who are seeking exemptions or to dilute the plan to reduce the domestic economic impact. UK GDP rose a slightly softer than expected 0.8% q/q in 1Q22 (1.3% in 4Q21), hit by weakness in net trade and a post-Covid fading in government spending. A fall is possible in Q2 on Ukraine war repercussions.

Financial markets: Global equity markets continued to slide amid ongoing inflation and recession fears. The MSCI ACWI lost 1.9% w/w led by the S&P500 (-2.4%), which fell for the sixth consecutive week. The 10-year US treasury yield fell 22 bps w/w to 2.93% as investors rotated into bonds for safety. The MSCI GCC lost a steep 7.6% w/w as sentiment was soured by the turmoil in global markets and interest rate hikes.

Oil: Brent surged on Friday on record high US gasoline prices, China's plan to ease Covid restrictions and the EU's proposed ban on Russian oil, but still closed -0.7% w/w for a first weekly loss in three. Earlier, both the IEA and OPEC revised down their 2022 oil demand growth estimates to 1.8 mb/d (-70 kb/d) and 3.4 mb/d (-210 kb/d), respectively, on Russia-Ukraine fallout and global economic headwinds. In April, OPEC+ supply fell short of target by a massive 2.7 mb/d on Russian losses.

MENA Region

Kuwait: The Emir has accepted the government's resignation that was submitted more than a month ago. Domestic credit started the year on a very strong note, increasing by 3.2% q/q, driving up y/y growth to 8.7% through March as business credit recovered sharply to expand by the fastest quarterly growth (+3.7%) in at least 10 years. Meanwhile, inflation came in at

4.4% y/y in March (unchanged from February). Food prices (+7.2%) continued to be the main driver of inflation, while core inflation (excluding food and housing) was steady at 4.7%.

Saudi Arabia: The PMI softened to 55.7 in April (56.8 in March), but still slightly higher than the average of 1Q2022 and comfortably above the 50 neutral level. Purchase prices remained on an uptrend in April, though the increase was softer than in March, leading to an ongoing solid rise in output prices.

UAE: The PMI reflected solid growth in April (54.6), pointing to the 17th straight month of expansion. Meanwhile, as per the authorities, the value of FDI capital inflows into Dubai is estimated at close to \$7 billion in 2021 up 5.5% from 2020.

Oman: The government recorded a budget surplus of \$927 million in 1Q22, a marked improvement on the \$2.0 billion deficit in the same period last year. Revenues were up by more than 66% y/y, while expenditures increased by around 4%.

Egypt: Inflation rose to a near three-year high in April of 13.1% y/y from 10.5% in March mainly due to rising food prices and the devaluation of the Egyptian pound. Meanwhile, foreign reserves inched up to \$37.12bn in April from \$37.08bn in March.

Key takeaways:

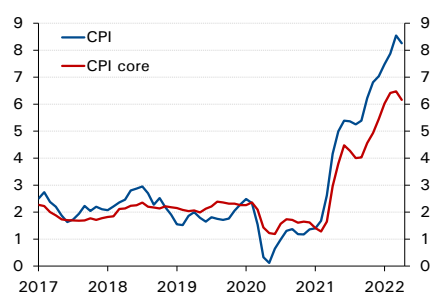
- While y/y core inflation edged down in the US in April, this does not necessarily mean that peak annual inflation is firmly behind us. The m/m increase in the core rate was elevated (highest in three months and double March's level) and exceeded the 0.4% consensus forecast.
- Some ECB officials' growing hawkishness—despite Ukraine war concerns—reflects worries that Eurozone inflation is too high (7.5%) and risks becoming more broad-based. The policy rate may rise from -0.5% now to positive territory by year-end.
- Despite downgrades to global oil demand and some higher supply via SPR releases, we think oil price risks are tilted to the upside in the near term. Market undersupply is likely to persist while sizeable Russian production is offline, OPEC-10 supply lags and US output gains are marginal.
- Helped by pent-up capex demand, relaxation of most pandemic-related restrictions and improving confidence levels given elevated oil prices, business credit growth in Kuwait has started the year on a very strong note (+3.7% YTD), auguring well for overall credit growth in 2022.
- The higher-than-expected inflation in Egypt strongly suggests that the central bank will hike interest rates by 100-200 bps in its meeting this week.

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



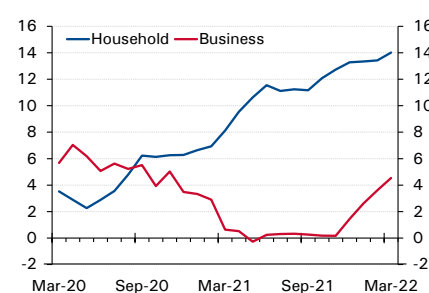
Source: Refinitiv

▶ **Chart 2: US inflation**
(% y/y)



Source: Refinitiv

▶ **Chart 3: Kuwait credit growth**
(% y/y)



Source: CBK

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,989	2.0	-19.3
DAX	14,028	2.6	-11.7
DJIA	32,197	-2.1	-11.4
Eurostoxx 50	3,703	2.0	-13.8
FTSE 100	7,418	0.4	0.5
Nikkei 225	26,428	-2.1	-8.2
S&P 500	4,024	-2.4	-15.6
Regional			
Abu Dhabi SM	9,493	-5.8	11.8
Bahrain ASI	1,960	-4.6	9.0
Dubai FM	3,419	-7.5	7.0
Egypt EGX 30	10,679	-3.3	-10.6
MSCI GCC	829	-7.6	12.4
Kuwait SE	7,869	-7.0	11.7
KSA Tadawul	12,835	-6.5	13.8
Muscat SM 30	4,146	-0.3	0.4
Qatar Exchange	13,144	-3.3	13.1

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.93	-21.5	141.6
Bunds 10 Year	0.95	-19.0	112.6
Gilts 10 Year	1.74	-25.5	77.0
JGB 10 Year	0.24	0.0	17.0
Regional			
Abu Dhabi 2027	3.41	-2.4	48.0
Oman 2027	5.75	38.1	-74.8
Qatar 2026	3.45	-19.5	52.3
Kuwait 2027	3.30	-11.5	38.3
Saudi Arabia 2028	3.78	-9.4	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	111.6	-0.7	43.4
KEC	115.2	-1.7	45.7
WTI	110.5	0.7	46.9
Gold	1807.4	-3.9	-1.1

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.57	49.2	105.0
Kibor - 3 month	1.88	6.3	37.5
Qibor - 3 month	1.15	0.0	2.5
Eibor - 3 month	1.40	0.8	103.6
Saibor - 3 month	2.62	16.6	171.9
Libor - 3 month	1.44	4.2	123.5

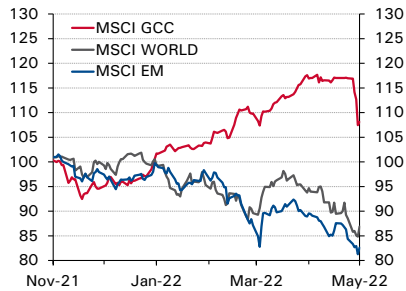
Exchange rates	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	0.0	1.5
KWD per EUR	0.340	0.0	0.0
USD per EUR	1.041	-1.3	-8.4
JPY per USD	129.2	-1.0	12.3
USD per GBP	1.226	-0.6	-9.4
EGP per USD	18.27	-0.9	16.7

Updated on 13/5/2022

Source: Refinitiv

International equity markets

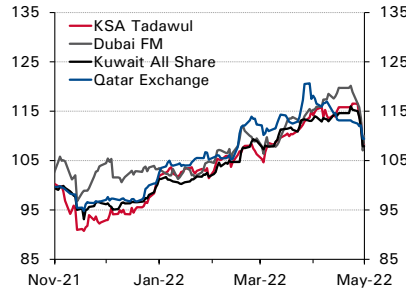
(rebased, 13 November 2021=100)



Source: Refinitiv

GCC equity markets

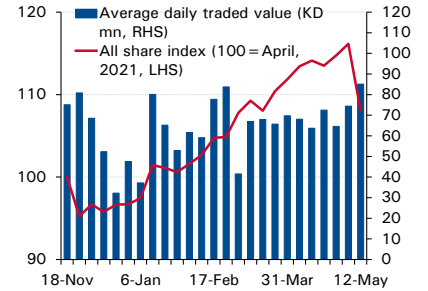
(rebased, 13 November 2021=100)



Source: Refinitiv

Boursa Kuwait

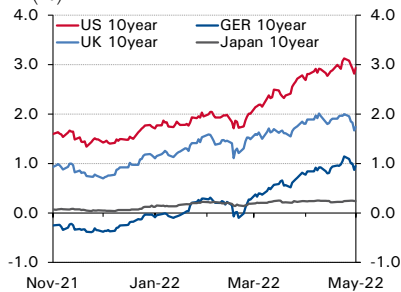
(equity prices and trading activity)



Source: Refinitiv

International bond yields

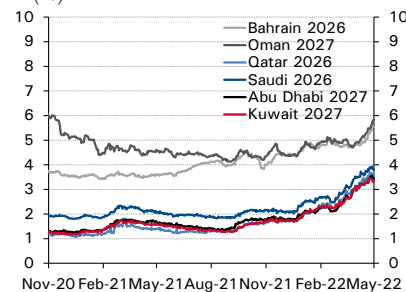
(%)



Source: Refinitiv

GCC bond yields

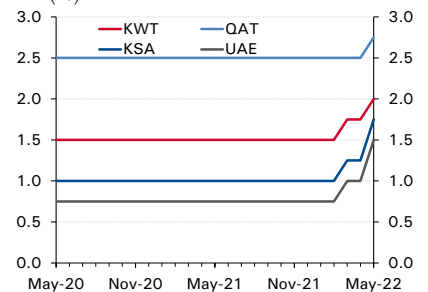
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv