

## International and markets

**US:** Retail sales were strong in January (+3.8% m/m), up from December's generally weak level, with consensus-beating growth in sales ex. vehicles and gas (+3.8% m/m). Manufacturing output, though, inched up by a limited 0.2% m/m in January, broadly in line with expectations. Minutes from the Fed's January meeting did not bring any major surprises in showing that Fed officials, although ready to start raising rates, were not committed to a particular pace of rate hikes. Finally, the Senate passed a last-minute deal to fund the government through March 11, averting a government shutdown that would have commenced on Friday.

**Europe:** UK inflation rose to a 30-year high of 5.5% y/y in January, up from 5.4% in December. The Bank of England currently expects inflation to peak at 7.3% in April before slowing as energy price pressures ease and supply shortage issues subside. Meanwhile, ECB Chief Economist Phil Lane said that Eurozone inflation is now unlikely to drop below the bank's 2% target going forward. This could indicate a shift towards signaling an earlier tightening of policy when the bank meets in March, when new economic projections will also be presented.

**China:** Inflation eased in January on a combination of subdued demand and lower food and commodity prices. Consumer price inflation came in at 0.9% y/y and producer prices (PPI) at 9.1%, both below expectations. Meanwhile, the central bank injected \$47.2bn into the financial system but kept rates unchanged in order to boost liquidity.

**Financial markets:** Global equity markets fell on heightened Russia-Ukraine tensions and on an increasingly hawkish central bank policy outlook. The MSCI AC world lost 1.7% w/w, with the Dow Jones and Euro Stoxx 50 both declining 1.9%. Meanwhile, GCC markets continued to rise amid elevated oil prices, with the MSCI GCC up 1.9% w/w, led by Bahrain (+3.1%), Dubai (+2.1%) and Kuwait (+2.0%).

**Oil:** Brent settled at \$93.5/bbl on Friday (-1% w/w; +20% ytd), posting its first weekly loss in two months as the prospect of returning Iranian crude offset ongoing Russia-Ukraine geopolitical tensions.

## MENA Region

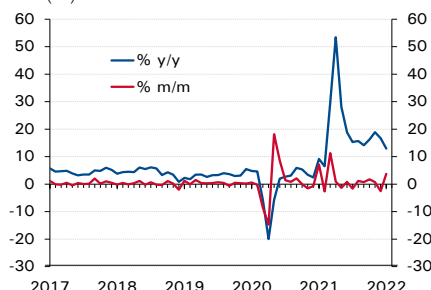
**Kuwait:** The fiscal deficit narrowed to KD400mn in the first ten months of FY21/22 (1.1% of pro-rated GDP), a marked improvement on the KD5.4bn recorded during the same period

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



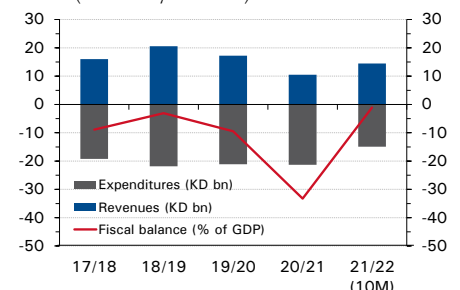
Source: Refinitiv

► **Chart 2: US retail sales**  
(%)



Source: Haver

► **Chart 3: Kuwait public finances**  
(on fiscal year basis)



Source: Ministry of Finance

in FY20/21. This was largely due to significantly greater oil revenues (+91% y/y to KD12.8 bn) thanks to higher oil prices. Expenditures, however, reached KD14.9bn (+12.3% y/y). Capex, although up 23% y/y to KD1.2bn due to last year's low base, remained soft with only 45% of the budget allocation spent so far. Meanwhile, the current account surplus declined to KD2.6bn (24% of pro-rated GDP) in 3Q21, from KD3.3bn in 2Q22, on a near-doubling of the services deficit (to KD1bn) and a decline in net investment income (-KD500mn).

**Saudi Arabia:** Inflation in January remained steady at 1.2% y/y, with transport (+4.9% y/y) providing the major inflationary impulse though deflation in housing rents also eased (-1.7%). Meanwhile, the Saudi state transferred a 4% stake in Aramco, worth \$80bn, to the Public Investment Fund (PIF).

**UAE:** Property and rental prices for villas and town houses in Dubai surged by 40% and 24% y/y, respectively, in 4Q21 according to Asteco.

**Egypt:** The minister of finance sees GDP growth reaching 6% in FY21/22, despite continued Covid-19 repercussions. Egypt's trade balance improved in November 2021, with the deficit shrinking by 63% y/y to \$1.1bn on higher exports (+80% y/y to \$4.5bn) and lower imports (-0.5% to \$5.6bn).

## Key takeaways:

- In China, easing inflation offers the PBOC more scope to lower interest rates to support economic activity. A lower PPI could also bode well for the global inflation outlook, but China's 'zero Covid' policy remains a risk to global supply chains.
- Oil prices above \$90/bbl continue to reflect extremely tight fundamentals. While the prospect of additional Iranian crude supply has moved a step closer in recent weeks, US shale producers remain cautious about lifting supply and oil demand is not yet being significantly curbed by high oil prices.
- Kuwait's improved, oil-led 10-month fiscal results leave the deficit on track to reach 9% of GDP or lower by fiscal year's end. However, while liquidity constraints have eased, the imperative of a comprehensive medium-term fiscal plan based on reforms and lessening dependency on oil remains acute.
- The transfer of 4% of Aramco to the PIF is intended to boost the PIF's assets and strengthen its financial position, as it takes a lead role in diversifying the Saudi economy and boosting investment levels. However the move is unlikely to significantly affect the flow of oil revenues to the Saudi treasury.

## Key data

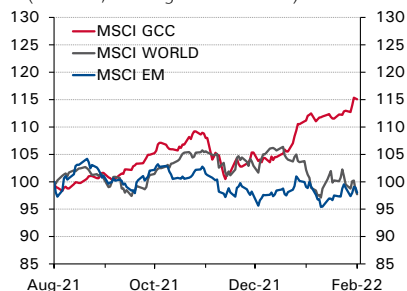
Stock markets				Bond yields				Interbank rates				
Index	Change (%)			%	Change (bps)			%	Change (bps)			
	1-week	YTD			1-week	YTD			1-week	YTD		
<b>International</b>				<b>International</b>				<b>Interbank rates</b>				
CSI 300	4,651	1.1	-5.9	UST 10 Year	1.93	0.9	41.5	Bhibor - 3 month	1.57	0.0	5.0	
DAX	15,043	-2.5	-5.3	Bunds 10 Year	0.21	-8.7	38.4	Kibor - 3 month	1.50	0.0	0.0	
DJIA	34,079	-1.9	-6.2	Gilts 10 Year	1.38	-16.5	40.9	Qibor - 3 month	1.15	0.0	2.5	
Eurostoxx 50	4,074	-1.9	-5.2	JGB 10 Year	0.22	-0.6	14.8	Eibor - 3 month	0.61	5.5	25.0	
FTSE 100	7,514	-1.9	1.7	<b>Regional</b>				Saibor - 3 month	1.25	17.4	34.7	
Nikkei 225	27,122	-2.1	-5.8	Abu Dhabi 2027	2.27	6.5	48.0	Libor - 3 month	0.48	-2.7	27.0	
S&P 500	4,349	-1.6	-8.8	Oman 2027	4.89	5.4	-74.8	<b>Exchange rates</b>				
<b>Regional</b>				Qatar 2026	2.41	18.6	52.3	rate			Change (%)	
Abu Dhabi SM	9,155	1.7	7.9	Kuwait 2027	2.29	2.1	38.3	1-week			YTD	
Bahrain ASI	1,926	3.1	7.1	Saudi Arabia 2028	2.67	-0.4	31.6	KWD per USD	0.302	0.0	0.0	
Dubai FM	3,327	2.1	4.1	<b>Commodities</b>				\$/unit		Change (%)		
Egypt EGX 30	11,535	-0.4	-3.5	1-week			YTD	KWD per EUR	0.340	0.0	0.0	
MSCI GCC	812	1.9	10.1	Brent crude	93.5	-1.0	20.3	USD per EUR	1.132	-0.2	-0.4	
Kuwait SE	7,629	2.0	8.3	KEC	92.4	0.3	16.9	JPY per USD	115.0	-0.4	-0.1	
KSA Tadawul	12,477	1.7	10.6	WTI	91.1	-2.2	21.1	USD per GBP	1.359	0.2	0.5	
Muscat SM 30	4,092	0.0	-0.9	Gold	1898.6	3.1	3.9	EGP per USD	15.71	0.3	0.3	
Qatar Exchange	12,735	-0.6	9.5									

Updated on 18/2/2022

Source: Refinitiv

### International equity markets

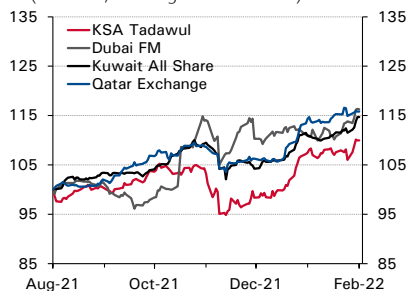
(rebased, 18 August 2021=100)



Source: Refinitiv

### GCC equity markets

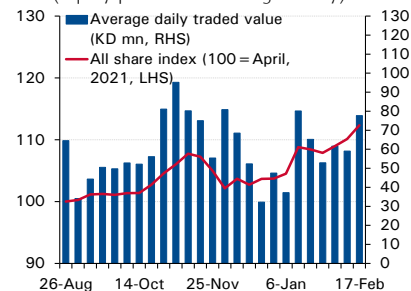
(rebased, 18 August 2021=100)



Source: Refinitiv

### Bursa Kuwait

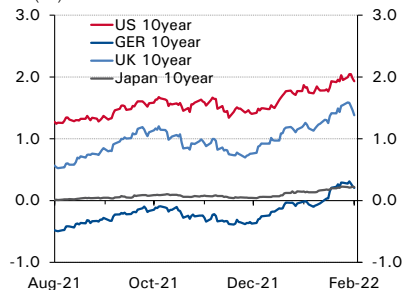
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

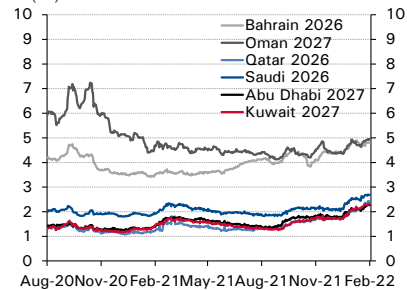
(%)



Source: Refinitiv

### GCC bond yields

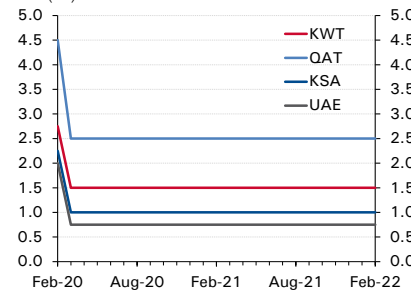
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv