

### International and markets

**US:** Pressure on the US housing market was evident in existing home sales data for October, which plunged 35% y/y to just 4.09 million. Outside of Covid, this was the weakest figure in 12 years, reflecting pressure on affordability from higher mortgage rates. House price growth slowed to 3.5% y/y, again one of the weakest rates since the financial crisis. In a slightly more upbeat sign, consumer confidence rallied to an 8-month high of 108.3 in December helped by easing inflation expectations, though confidence remains weak historically. Third estimates of Q3 GDP released later today should confirm growth at an annualized 2.9%, with a slowdown to 1-2% forecast for Q4. Finally, the Senate was set to approve a 3-month-delayed \$1.7 trillion spending bill to fund the federal government to September, avoiding an impending government shutdown.

**Europe:** A flash estimate of Eurozone consumer confidence showed a rise of 1.7pts from November to -22.2 in December. The findings were echoed by the Ifo German Business Climate Index, which rose to 88.6 (from 86.4 in Nov) and revealed that sentiment about the economic outlook was more positive than expected during the month. In the UK, revised figures show that GDP shrank by 0.3% q/q in 3Q22 (Jul-Sep), down on the earlier estimate of -0.2% and a further sign that the UK economy is on the cusp of a recession. While services sector output was up (+0.1%), production (-2.5%) and construction (-0.2%) were weak. UK real output has shrunk further below its pre-pandemic level (from -0.4% to -0.8%).

**Japan:** In a surprise decision, the BOJ moved to allow the 10-year government bond yield to fluctuate 50 bps each side of its 0% objective, wider than the previous 25 bps band.

**Financial markets:** Global equity markets were mixed as investors weighed central bank hawkishness against easing inflation expectations. The Nikkei 225 led losses (-4.1% wtd), in reaction to the Bank of Japan's increase in its yield cap policy prompting a surge in global bond yields. Meanwhile, the S&P500 rose by 0.7% on better-than-expected earnings and improved consumer confidence. GCC markets were mixed but little changed overall, with Kuwait leading losses (-2% wtd).

**Oil:** Brent ticked up to \$82.2/bbl (+4% wtd; +5.7% ytd) by Wednesday's close, gaining over three trading sessions on a combination of China reopening hopes, expectations of freezing weather in the US and an unexpected drawdown in US crude and distillate stocks—all positive signals for oil demand.

### MENA Region

**Kuwait:** Inflation softened to 3.2% y/y in November (3.3% October), with 'core' inflation (which excludes food and housing) steady at 2.6%. Food and beverage prices, the second largest component of the CPI, advanced 6.7% y/y. Parliament approved two law proposals to allow the Public Authority for Housing Welfare to establish real estate development companies to construct residential cities. Meanwhile, the current account registered a large surplus of KD9.4bn in 1H22 (37% of pro-rated GDP) on rising oil exports (+80% y/y) and investment income receipts.

**Qatar:** The 2023 budget projects a surplus of QAR 29 billion (10% of GDP) on a 16% increase in revenues over the 2022 budget thanks to a higher assumed oil price of \$65/bbl, while spending is forecast to decline by 3% in the absence of World Cup related outlays.

**Oman:** The 2023 state budget expects a deficit of 3% of GDP on a moderate oil price assumption of \$55, with 10% and 7% increases in revenues and expenditures respectively.

**Egypt:** The IMF mission chief for Egypt said that the Fund will be monitoring closely the FX market especially as the import backlog is expected to clear in January.

#### Key takeaways:

- The expected passage of the large US government spending bill through Congress will avoid a government shutdown tomorrow. Further delay could see Democrats hand over power to shape the bill to Republicans, who take control of the House of Representatives in January and may trim some outlays.
- The Bank of Japan's move raises questions as to whether this is a tweak to improve bond market functioning (as officially claimed), or a precursor to further policy normalization. With inflation above target and interest rates rising abroad, the bank may remain under pressure to rein in its ultra-loose policy.
- Kuwait's initial approval of the real estate developer law can be seen as a move to ease the housing shortage given the 94,000 pending applications for government housing as of end 2021, and the 10-year wait times before allocations.
- Egypt's central bank could raise policy rates by 150-200bps in today's meeting to 15.75%. The comments by IMF officials still point to demands for a truly flexible exchange rate, thus we expect higher pound volatility in January and a closure of the gap between the official and parallel rates.

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



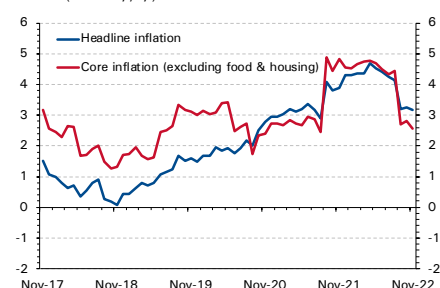
Source: Refinitiv

▶ **Chart 2: US existing home sales**  
(mn, annualized)



Source: Haver

▶ **Chart 3: Kuwait inflation**  
(CPI %y/y)



Source: Central Statistical Bureau

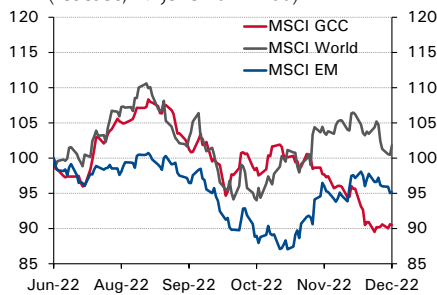
## Key data

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	3,831	-3.1	-22.5	UST 10 Year	3.68	20.2	217.2	Bhibor - 3 month	6.08	1.9	456.4				
DAX	14,098	1.5	-11.2	Bunds 10 Year	2.30	13.2	247.6	Kibor - 3 month	4.00	0.0	250.0				
DJIA	33,376	1.4	-8.2	Gilts 10 Year	3.58	24.8	260.3	Qibor - 3 month	5.12	23.3	399.2				
Eurostoxx 50	3,872	1.8	-9.9	JGB 10 Year	0.48	23.2	41.3	Eibor - 3 month	4.60	1.1	423.6				
FTSE 100	7,497	2.3	1.5	<b>Regional</b>											
Nikkei 225	26,388	-4.1	-8.3	Abu Dhabi 2027	4.04	19.9	126.6	Oman 2027	5.85	13.8	33.2				
S&P 500	3,878	0.7	-18.6	Qatar 2026	4.31	15.8	146.8	Kuwait 2027	4.31	10.8	151.1				
<b>Regional</b>															
Abu Dhabi SM	10,340	0.1	21.8	Saudi Arabia 2028	4.51	18.7	113.5	<b>Exchange rates</b>							
Bahrain ASI	1,857	0.2	3.3	<b>Commodities</b>				rate	Change (%)						
Dubai FM	3,340	0.3	4.5		\$/unit	Change (%)		1-week*	YTD						
Egypt EGX 30	14,542	-4.0	21.7			1-week*	YTD		KWD per USD	0.306	-0.1	1.4			
MSCI GCC	686	-0.1	-6.9	Brent crude	82.2	4.0	5.7	KWD per EUR	0.325	0.1	-5.5				
Kuwait SE	7,206	-2.0	2.3	KEC	80.1	0.2	1.4	USD per EUR	1.060	0.2	-6.7				
KSA Tadawul	10,277	-0.1	-8.9	WTI	78.3	5.4	4.1	JPY per USD	132.5	-3.1	15.1				
Muscat SM 30	4,797	-1.2	16.2	Gold	1815.9	1.4	-0.6	USD per GBP	1.208	-0.5	-10.7				
Qatar Exchange	10,998	0.2	-5.4	* week-to-date											

As of Wednesday (21/12/2022) Source: Refinitiv

### International equity markets

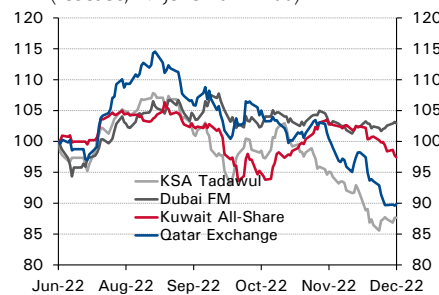
(rebased, 29 June 2022=100)



Source: Refinitiv

### GCC equity markets

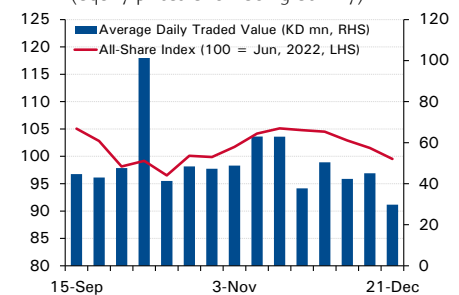
(rebased, 29 June 2022=100)



Source: Refinitiv

### Bursa Kuwait

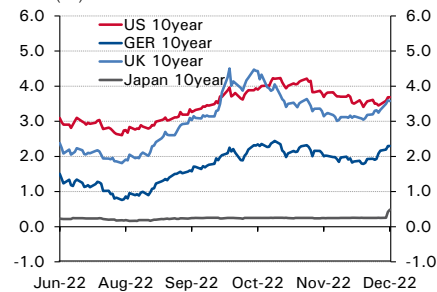
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

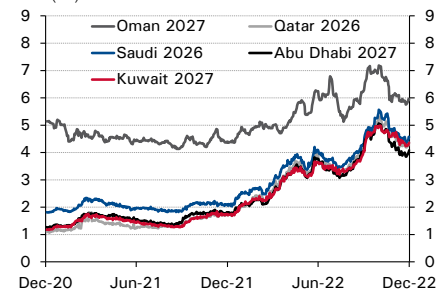
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Source: Refinitiv

### GCC bond yields

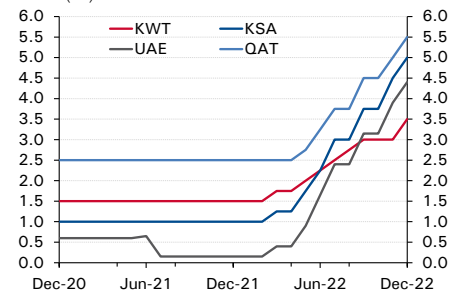
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv