

International and markets

US: Non-farm payrolls increased by a sharply higher-than-expected 678k in February while December/January were revised up by 92k. The unemployment rate fell to 3.8% (4% in January) while labor participation edged up to 62.3%, both at the best levels since the outbreak of the pandemic. With a 0.5% increase in January, the Fed's preferred inflation gauge, the core PCE, accelerated to 5.2% y/y (from 4.9% one month before), the highest since 1983, but in line with expectations. The headline rate edged up to 6.1% from 5.8% the month before.

Europe: The near-term pan-Europe economic impact of the Russia-Ukraine war is likely to be felt mostly through higher commodity prices, especially energy. Eurozone inflation already came in at an above-forecast 5.8% y/y in February (core 2.7%) on surging energy costs (+32%). There will be additional economic effects from supply disruptions and a wave of refugees from Ukraine, projected at several million people. The Eurozone February PMI showed activity regaining momentum at 55.5 (52.3 in January) on easing Covid regulations, but too early to capture negative fallout from the Russia-Ukraine war.

China: The government announced an aggressive GDP growth target of 5.5% for 2022, higher than both consensus forecasts (5%) and IMF projections (4.8%), signaling more policy support amid generally slowing macroeconomic conditions.

Financial markets: Global stocks fell as the Russia-Ukraine war continued to weigh down on sentiment. The MSCI ACWI lost 2.4% w/w led by a 10.4% crash in the Euro Stoxx 50, while the S&P 500 lost 1.3%, mitigated by a better than expected jobs report. The MSCI GCC rallied (5.3%) on soaring oil prices led by Qatar (6.5%) and Abu Dhabi (6.1%), while Kuwait rose 2.8%.

Oil: Elevated Russia-Ukraine geopolitical risk and increasingly tight fundamentals pushed oil prices to 10-year highs last week, with Brent surging almost 21% w/w to \$118.1/bbl. Energy and commodity markets remain on edge as Russia, the world's 2nd largest commodity producer, becomes economically more isolated. The IEA will coordinate a release of 60 mb (1.5 days of OECD demand) of oil from OECD strategic petroleum reserves. OPEC+ agreed to continue increasing supply in April at the monthly rate of 400 kb/d.

MENA Region

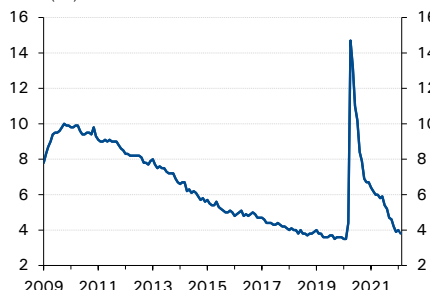
Kuwait: Inflation was unchanged at 4.3% y/y in January, largely driven by the food (+7.3% y/y), clothing (+5.5%) and

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



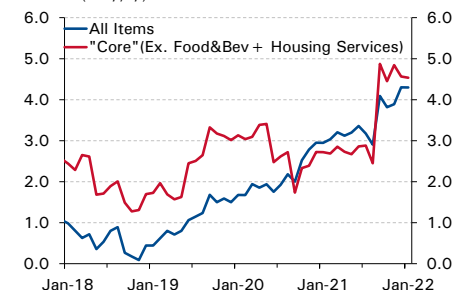
Source: Refinitiv

▶ **Chart 2: US unemployment rate**
(%)



Source: Haver

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



Source: CSB

transport (+4.6%) sub-components, while core inflation (ex. food and housing) was up 4.6%. The World Bank expects the economy to grow by 5.3% in 2022 followed by 3% next year, supported by higher oil prices and production levels.

Saudi Arabia: After decreasing for four straight months, the PMI rebounded to 56.2 in February (53.2 in January) with the output index increasing to 60.4 from 56. After growing by a solid 15.5% in 2021, credit growth came slightly on the soft side in January (+0.8% m/m) resulting in a 14.9% y/y increase.

UAE: The PMI rose to 54.8 in February from 54.1 in January, reflecting a recovery in international travel. Output and new export orders increased driven by stronger foreign demand.

Egypt: The Minister of Planning and Economic Development has revised FY21/22 GDP growth projections upwards to 6.2-6.5% from the previous 6%, despite continued Covid-19 repercussions. The revision comes after 2Q21/22 growth exceeded expectations at 8.3%. Meanwhile, since the start of the Russia-Ukraine war, treasury market outflows are estimated at \$3.0 billion as foreign investors look for safe havens.

Key takeaways:

- The Russia-Ukraine war looks to have ushered in a period of even more elevated oil prices. With OPEC+ resisting calls to open the taps, US crude output growth limited so far and the IEA's strategic oil release insignificant, Iran is the only likely source of significant extra near-term supply. But oil demand growth will invariably slow if prices remain at these levels.
- Spiking oil prices will accelerate inflation further in the US, but the Russia-Ukraine war is a major headwind for global growth and confidence, and has effectively dealt a blow to the possibility of a 0.5% hike in the upcoming Fed meeting on 16 March. Still, a 0.25% hike is a near certainty.
- Surging commodity prices will also push up already high Eurozone inflation but weaken economic growth, creating a dilemma for the ECB, which meets this week. The bank may look to retain flexibility: a rate hike this year is still possible, but accelerated policy normalization could now be off the table.
- Higher oil prices will improve Kuwait's fiscal position with each \$10 rise in prices adding around KD250 mn/month in revenues. The economic impact depends on how the extra revenues are deployed, but one near-term option is to replenish the nearly-depleted General Reserve Fund.

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,496	-1.7	-9.0
DAX	13,095	-10.1	-17.6
DJIA	33,615	-1.3	-7.5
Eurostoxx 50	3,556	-10.4	-17.3
FTSE 100	6,987	-6.7	-5.4
Nikkei 225	25,985	-1.9	-9.7
S&P 500	4,329	-1.3	-9.2
Regional			
Abu Dhabi SM	9,683	6.1	14.1
Bahrain ASI	1,976	1.7	9.9
Dubai FM	3,449	4.1	7.9
Egypt EGX 30	11,306	3.8	-5.4
MSCI GCC	847	5.3	14.8
Kuwait SE	7,851	2.8	11.5
KSA Tadawul	12,756	3.7	13.1
Muscat SM 30	4,134	2.4	0.1
Qatar Exchange	13,463	6.5	15.8

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.74	-23.3	22.6
Bunds 10 Year	-0.10	-32.5	7.8
Gilts 10 Year	1.21	-25.0	23.8
JGB 10 Year	0.16	-5.4	8.5
Regional			
Abu Dhabi 2027	2.10	-16.2	48.0
Oman 2027	4.81	-16.9	-74.8
Qatar 2026	2.24	-15.0	52.3
Kuwait 2027	2.25	-2.0	38.3
Saudi Arabia 2028	2.48	-20.4	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	118.1	20.6	51.9
KEC	111.4	16.0	40.9
WTI	115.7	26.3	53.8
Gold	1965.1	4.2	7.5

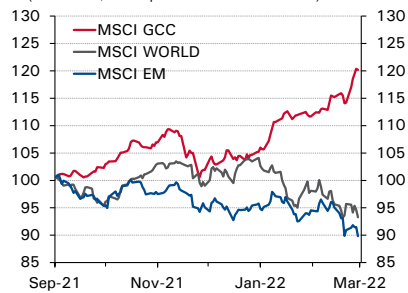
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.60	3.3	8.3
Kibor - 3 month	1.50	0.0	0.0
Qibor - 3 month	1.15	0.0	2.5
Eibor - 3 month	0.67	11.3	30.3
Saibor - 3 month	1.63	22.7	72.7
Libor - 3 month	0.61	8.7	40.1
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	0.1	0.3
KWD per EUR	0.340	0.0	0.0
USD per EUR	1.093	-3.0	-3.9
JPY per USD	114.8	-0.7	-0.3
USD per GBP	1.323	-1.3	-2.2
EGP per USD	15.64	-0.6	-0.1

Updated on 4/3/2022

Source: Refinitiv

International equity markets

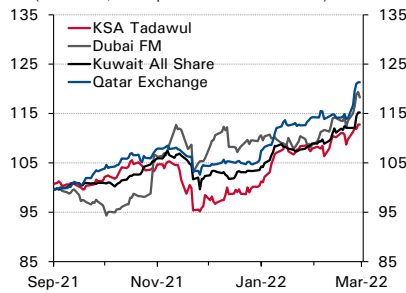
(rebased, 5 September 2021=100)



Source: Refinitiv

GCC equity markets

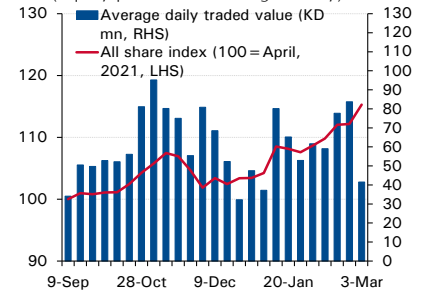
(rebased, 5 September 2021=100)



Source: Refinitiv

Boursa Kuwait

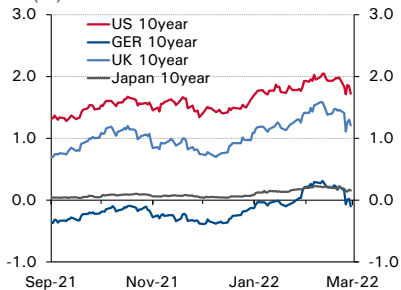
(equity prices and trading activity)



Source: Refinitiv

International bond yields

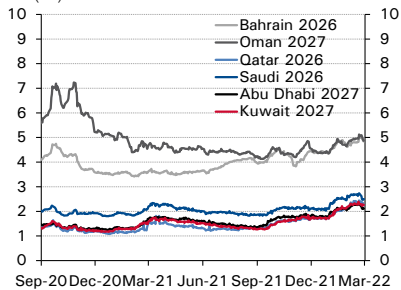
(%)



Source: Refinitiv

GCC bond yields

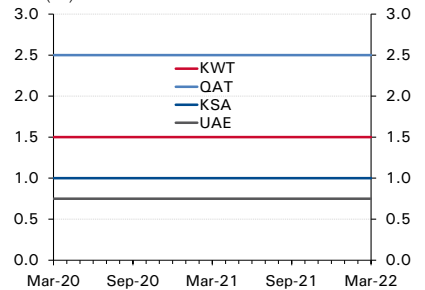
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv