

International and markets

US: Consumer price inflation rose by a more-than-expected 9.1% y/y in June, up from 8.6% in May. The jump was driven by rising food and energy costs (although the core rate slipped slightly to 5.9% from 6.0% before) and even led to speculation that the Fed may need to hike rates by 100 bps in its July 26-27 meeting versus the 75 bps previously signaled. Retail sales rose a solid 1.0% m/m in June, albeit boosted by rising prices including gasoline. Meanwhile, the Atlanta Fed's closely-watched 'nowcast' estimate for GDP in 2Q22 has dropped to an annualized -1.5%, which if accurate would mean the US is in a technical recession following a contraction of 1.6% in Q1.

Europe: The EU revised up its forecast for Eurozone inflation this year to 7.6% from 6.1% before amid higher commodity prices, and as the euro currency fell to parity versus the US dollar for the first time since 2002. Italian PM Mario Draghi submitted his resignation after governing coalition partner party M5S withdrew support. The move could herald fresh national elections this autumn. Meanwhile, UK PM Boris Johnson also resigned following persistent pressure over his personal conduct, government direction and more than 50 departures from his own government team. UK GDP rose by a stronger-than-expected 0.5% m/m in May, providing upside potential for 2Q22 GDP previously forecast to see a small q/q decline.

China: Growth slowed sharply in 2Q22 (+0.4% y/y) on widespread lockdowns, which put the brakes on recovery efforts, adding to fears of global economic slowdown and pushing the government's 2022 target (5.5%) out of reach.

Financial markets: Global equities continued to decline with fears of recession and expected aggressive Fed rate hikes. The MSCI ACWI lost 1% w/w with the S&P 500 declining by 0.9%. In parallel, the MSCI GCC fell by 1.2% w/w driven by Qatar (-3.2%) and KSA (-1.6%), driven also by lower oil prices.

Oil: Brent closed down 5.5% w/w at \$101.2/bbl on a stronger US dollar and fears of economic slowdown. Meanwhile, the IEA cut its oil demand forecasts for 2022 and 2023 by 240 kb/d and 280 kb/d, respectively, citing a weaker demand outlook. OPEC, however, kept its oil demand forecasts unchanged for 2022, and expects 2.7% growth in 2023 on demand resurgence in China.

MENA Region

Kuwait: S&P rating agency projects that growth could reach 8% and 5.5% in 2022-23 on higher oil output. Media sources said that the government could amend the privatization law as part

of a plan to restructure the public finances while capping the fiscal deficit at 5% of current spending. The Ministry of Finance has directed all government agencies to settle accrued expenses for FY21/22 in this year's budget. CPI inflation reached 4.5% y/y in May (+0.2% m/m), a slightly softer increase than April's 4.7%. Prices increased across the board, but the overall rise continues to be driven mainly by the food component (+8.2% y/y). Credit growth accelerated in May (+1.6% m/m), resulting in an 11% y/y rise. The expansion was supported by lending for securities purchase, which accounted for 58% of the increase in credit. Both business and household credit growth remained strong at 6.4% and 13.6%, respectively.

Saudi Arabia: Inflation rose to 2.3% y/y in June, up from 2.2% in May, with food (+4.4%) and fuel (+2.5%) prices driving this rise. Industrial output rose 24% y/y in May, the third highest rise in the last three years on higher oil production. Meanwhile, the authorities will allocate SAR20 bn to ease pressures on households from global price hikes, including SAR10.4 bn in direct cash payments for social security beneficiaries.

Egypt: Inflation slowed for the first time since November 2021 to 13.2% in June, on declining food prices. Meanwhile, the Ministry of Planning estimates growth at 6.2% in FY21/22, up from 3.3% the previous year. In addition, net international reserves fell by \$2.1 bn in June to \$33.4 bn.

Key takeaways:

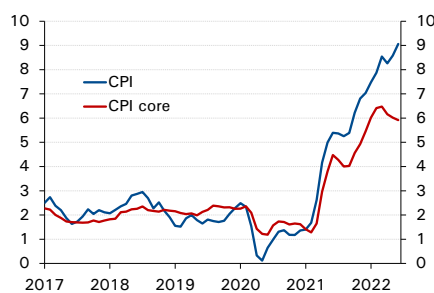
- The ECB is likely to lift interest rates by 25 bps this week against a backdrop of record high inflation plus euro weakness and despite a rising recession risk. It will also reveal a new tool to combat widening sovereign spreads, which will be closely watched given fresh political turbulence in Italy.
- In the UK, a new PM and Conservative Party leader will be installed by September, with the competing candidates mostly proposing tax cuts but front runner and former Chancellor Rishi Sunak advocating a more measured approach.
- The continued tumble in oil prices – with Brent now down 21% from its mid-June highs – reflects worries about the global economy driven by aggressive Fed policy tightening, as well as a surging US dollar. Possible oil demand destruction in light of high prices may also be beginning to weigh.
- Although the rise in bank lending in Kuwait in May was partly driven by a likely one-off factor, underlying lending growth remains solid in both business and household sectors. This bodes well for the economy's resilience to probable further interest rate hikes this year, as does oil sector strength.

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



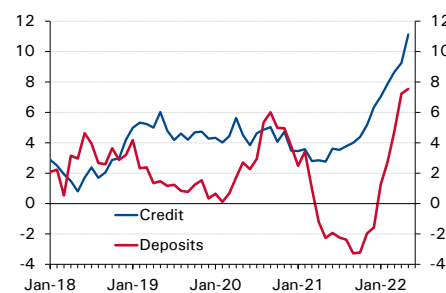
Source: Refinitiv

▶ **Chart 2: US inflation**
(%, y/y)



Source: Haver

▶ **Chart 3: Kuwait bank credit & deposits**
(% y/y)



Source: Haver

Key data

Stock markets				Bond yields			Interbank rates				
Index	Change (%)			%	Change (bps)		%	Change (bps)			
	1-week	YTD			1-week	YTD		1-week	YTD		
International				International			Regional				
CSI 300	4,249	-4.1	-14.0	UST 10 Year	2.93	-17.1	141.8	Bhibor - 3 month	3.71	10.0	219.5
DAX	12,865	-1.2	-19.0	Bunds 10 Year	1.13	-21.8	130.7	Kibor - 3 month	2.13	0.0	62.5
DJIA	31,288	-0.2	-13.9	Gilts 10 Year	2.09	-14.5	111.8	Qibor - 3 month	2.45	0.0	132.5
Eurostoxx 50	3,477	-0.8	-19.1	JGB 10 Year	0.23	-1.0	16.4	Eibor - 3 month	2.22	5.5	185.3
FTSE 100	7,159	-0.5	-3.1	Regional			Abu Dhabi 2027	3.41	7.8	48.0	
Nikkei 225	26,788	1.0	-7.0	Oman 2027	6.68	64.8	-74.8	Qatar 2026	3.48	2.6	52.3
S&P 500	3,863	-0.9	-18.9	Qatar 2026	3.48	2.6	52.3	Kuwait 2027	3.49	7.6	38.3
Regional				Commodities			Exchange rates				
Abu Dhabi SM	9,250	-0.2	9.0	Brent crude	101.2	-5.5	30.1	KWD per USD	0.308	0.2	1.8
Bahrain ASI	1,850	-1.4	2.9	KEC	104.5	n/a	32.2	KWD per EUR	0.315	0.0	-8.3
Dubai FM	3,160	1.2	-1.1	WTI	97.6	-6.9	29.8	USD per EUR	1.009	-0.9	-11.3
Egypt EGX 30	8,764	1.2	-26.7	Gold	1702.4	-2.2	-6.8	JPY per USD	138.5	1.8	20.4
MSCI GCC	729	-1.2	-1.2				USD per GBP	1.185	-1.5	-12.4	
Kuwait SE	7,360	-1.5	4.5				EGP per USD	18.85	0.1	20.4	
KSA Tadawul	11,163	-1.6	-1.1								
Muscat SM 30	4,141	0.5	0.3								
Qatar Exchange	11,868	-3.2	2.1								

Updated on 15/7/2022

Source: Refinitiv

International equity markets

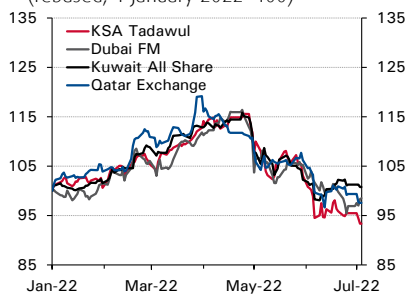
(rebased, 1 January 2022=100)



Source: Refinitiv

GCC equity markets

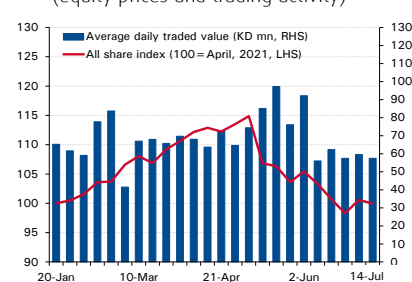
(rebased, 1 January 2022=100)



Source: Refinitiv

Boursa Kuwait

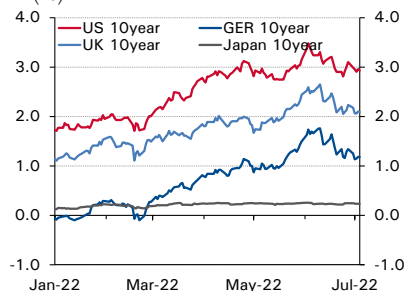
(equity prices and trading activity)



Source: Refinitiv

International bond yields

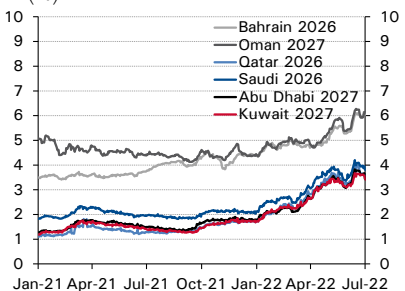
(%)



Source: Refinitiv

GCC bond yields

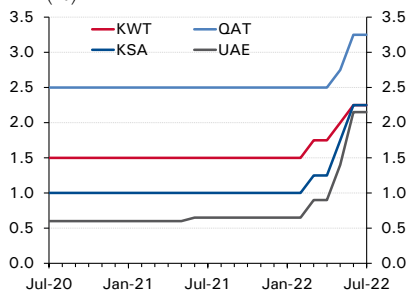
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv