

Daily Economic Update

Economic Research Department
18 April 2024

Eurozone: Final CPI reading for March confirmed, raising prospects of an ECB June rate cut. The final estimate of euro-area inflation for March confirmed the earlier flash reading of 2.4% y/y, down from the 2.6% recorded in February. The core index rose by 2.9% (down on 3.1% in February), also in line with initial estimates. Taken together with the ongoing weakness in the macroeconomic environment, including slowing wage growth, March's final CPI reading will likely reinforce expectations of a first rate cut by the European Central Bank in June.

UK: Inflation continued to slow in March, but by less than expected. Consumer price inflation came in at 3.2% y/y in March, slower than the 3.4% recorded in February but less than the 3.1% that was forecast by economists. The March reading was the lowest in two and a half years and the first since March 2022 to come in lower than the US CPI rate (+3.5%). The main contributor to the slowdown was easing food price inflation, which, at 4% y/y, was the lowest rise since November 2021. Higher fuel prices conspired to limit the decrease, however. Core inflation (ex. food, tobacco, and energy) came in at 4.2% y/y, easing from 4.5% in February, while the closely watched services inflation gauge slowed by only 0.1% percentage points to 6.0% in March. Overall, while the data provided further confirmation of the disinflationary trend in the UK, the fact that inflation slowed by less than policymakers had expected (and remains higher than in the neighboring Eurozone) could sway the Bank of England towards delaying its first rate cut this year—and especially if UK price rises follow the US trend in the coming months.

US: Resurging mortgage rates could drive up existing home prices, boding ill for shelter inflation. The fixed 30-year mortgage rate climbed to a four-month high of 7.13% in the week ending April 12 and should rise further, given a tightening in treasury yields since then. Nonetheless, the index of overall mortgage applications rose to its highest in over two months. Growing unaffordability due to higher prices and rising mortgage rates could keep housing activity muted, especially within the existing home segment, which has recently shown tentative signs of recovery in sales. Moreover, higher mortgage rates could further disincentivize homeowners from listing their properties in the market, worsening the ongoing drought of existing home inventory, and leading to an accelerated rise in house prices. Meanwhile, new home prices may fall on lower demand due to higher mortgage rates but may not fully compensate for the rise in existing home prices. This should complicate the Fed's inflation-fighting mandate, as higher rates could feed the vicious circle of rising existing home prices and implied owners' equivalent rent in the inflation basket.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,165	-0.32	-4.31
Bahrain (ASI)	2,027	-0.72	2.84
Dubai (DFMGI)	4,173	-0.27	2.79
Egypt (EGX 30)	29,668	0.91	19.47
GCC (S&P GCC 40)	707	-0.49	-0.81
Kuwait (All Share)	6,910	-0.29	1.36
KSA (TASI)	12,466	-0.28	4.17
Oman (MSM 30)	4,723	-0.31	4.63
Qatar (QE Index)	9,853	0.00	-9.02

International			
CSI 300	3,565	1.55	3.91
DAX	17,770	0.02	6.08
DJIA	37,753	-0.12	0.17
Eurostoxx 50	4,914	-0.06	8.68
FTSE 100	7,848	0.35	1.48
Nikkei 225	37,962	-1.32	13.44
S&P 500	5,022	-0.58	5.29

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.34	0.00	-18.05
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.14	2.89	-18.34
Saudi	6.18	-0.69	-4.97
LIBOR	5.59	-0.04	-0.48
SOFR	5.33	0.99	-0.45

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	5.16	-4.60	83.8
Oman 2027	6.04	-4.80	88.5
Qatar 2026	5.26	-4.40	73.9
Kuwait 2027	5.19	-7.40	85.0
Saudi 2028	5.33	-4.30	81.0

International 10YR			
US Treasury	4.59	-7.20	72.5
German Bund	2.47	-1.50	44.2
UK Gilt	4.27	-3.60	72.7
Japanese Gvt Bond	0.89	2.20	27.3

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.04	0.29
KWD per EUR	0.33	0.47	-0.57
USD per EUR	1.07	0.51	-3.31
JPY per USD	154.38	-0.21	9.44
USD per GBP	1.24	0.18	-2.22
EGP per USD	48.45	0.00	57.05

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	87.29	-3.03	13.30
KEC	90.83	-0.07	14.17
WTI	82.69	-3.13	15.41
Gold	2371.7	-0.80	15.00

Quoted prices/rates collected after close of last trading day (or are most recent available)

Source: Refinitiv / Haver