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Daily
Economic Update

Economic Research Department
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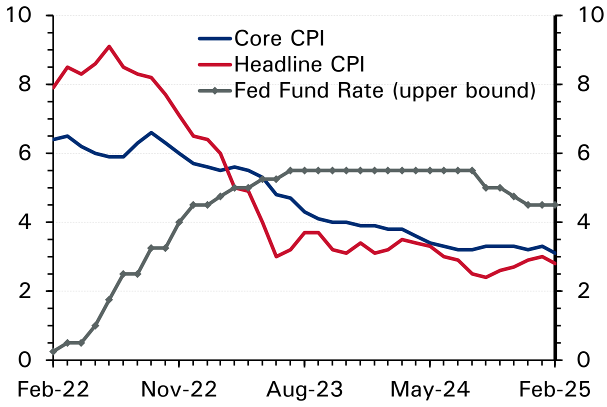
US: February CPI inflation eases more than expected but tariff-driven price risks loom. CPI inflation in February came in softer than expected at a three-month low of 2.8% y/y (0.2% m/m), down from 3% (0.5% m/m) in January, on broad-based disinflation. The core rate also moderated to 3.1% y/y, the lowest since April 2021, down from 3.3% in January, with monthly increases slowing to 0.2% from 0.4%. Some softness on a monthly basis was already expected given January's hotter prints, which had failed to fully account for seasonal anomalies related to price hikes that usually take place at the beginning of the year. Still, a sharper deceleration, especially in the service components, helped ease concerns about renewed service price pressures. Shelter, although still the biggest driver of core inflation, continued to ease to 4.2% y/y, an over three-year low. The bond markets surprisingly disregarded the tamer inflation data, with UST 10Y bond yields rising by around 4bps yesterday, as worries related to a potential rebound in goods prices amid higher import tariffs overshadowed slowing service inflation. Inflation prints over the coming months could be bumpier as the extent of the impact of already implemented and proposed tariffs on final prices for consumers starts to become visible. The bets for Fed interest rate cuts were also little changed yesterday, with future markets continuing to see around three rate cuts for this year.

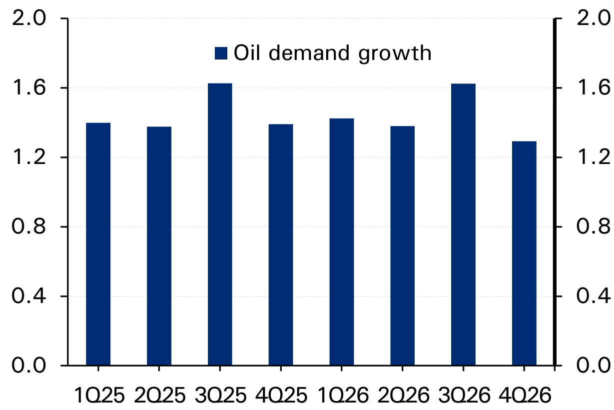
Global: Odds of a full-blown trade war increasing with Canada and the EU retaliating to US metal tariffs. In response to US's unilateral 25% tariffs on metal imports, Canada and the EU responded with their own counteractions. While the EU announced to subject US goods (mainly consumer) worth around $28bn to duties in a phased manner in the first half of April, Canada previously initiated tariff actions on imports from the US worth $21bn but suspended the second phase, which was set to hit similar duties on additional $85bn goods in three weeks and rescinded the plan to add a 25% surcharge on electricity exports to US. But yesterday It followed up with 25% levies on more goods worth $20bn (including metal, computer and other consumer goods). President Trump threatened to respond to such countermeasures by imposing additional duties. All this is already happening even before the proposed 'reciprocal duties' are unveiled on April 2, which will further escalate the incipient trade war. China, which was hit with combined 20% additional tariffs in two installments, has so far shown a relative restraint by slapping up to 15% tariffs on some US agriculture products and farm equipment. However, the risk of a firmer Chinese action shouldn't be discounted, which could potentially lead to a full-blown global trade war.

Chart 1: US Fed rate and annual inflation



Source: Haver

Chart 2: OPEC oil demand growth outlook



Source: OPEC

Oil: OPEC maintains its strong demand growth outlook. In its latest monthly oil market report, OPEC kept its global oil demand growth forecast unchanged for the second month in a row at 1.45 mb/d for 2025 and 1.43 mb/d for 2026, seeing non-OECD economies as the main growth engines on resilient consumer demand and strong economic activity. Notwithstanding the heightened global trade policy uncertainty, OPEC sees a limited impact on oil demand as it expects the world economy to adapt to evolving trade dynamics. On the supply side, its views on non-Declaration of Cooperation (non-DoC, formerly known as non-OPEC+) supply growth also remained unchanged at 1 mb/d for both this year and next, led by higher production in the US, Brazil, and Canada. Meanwhile, DoC (OPEC+ including Mexico) crude production increased sharply in February, rising 363 kb/d m/m to 41 mb/d, as Kazakhstan's output reached a record high of 1.77 mb/d following the completion of expansion works on the Tengiz field. Kazakhstan, which has consistently overproduced above its 1.4 mb/d quota, has pledged to cut output in March-May, but question marks remain if it would follow through on this.

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Daily market indicators

Stock markets	Index	Change (%) Daily	YTD
Regional			
Abu Dhabi (ADI)	9,416	0.42	-0.03
Bahrain (ASI)	1,967	0.22	-0.95
Dubai (DFMGI)	5,157	0.69	-0.03
Egypt (EGX 30)	31,049	0.37	4.40
GCC (S&P GCC 40)	725	-0.18	0.49
Kuwait (All Share)	7,998	0.01	8.63
KSA (TASI)	11,705	-0.11	-2.75
Oman (MSM 30)	4,364	-0.94	-4.64
Qatar (QE Index)	10,438	-0.44	-1.26
International			
CSI 300	3,927	-0.36	-0.20
DAX	22,676	1.56	13.90
DJIA	41,351	-0.20	-2.80
Eurostoxx 50	5,359	0.93	9.47
FTSE 100	8,541	0.53	4.50
Nikkei 225	36,819	0.07	-7.71
S&P 500	5,599	0.49	-4.80

3m interbank rates	%	Change (bps) Daily	YTD
Bahrain	5.64	1.85	-4.92
Kuwait	3.94	0.00	0.00
Qatar	4.65	0.00	-2.50
UAE	4.23	-4.94	-21.51
Saudi	5.42	-13.44	-12.38
SOFR	4.30	-0.18	-0.81

Bond yields	%	Change (bps) Daily	YTD
Regional			
Abu Dhabi 2027	4.33	0.00	-41.0
Oman 2027	5.25	-4.00	-31.0
Qatar 2026	4.47	-2.00	-32.0
Kuwait 2027	4.66	0.00	-31.0
Saudi 2028	4.74	3.00	-34.0
International 10YR			
US Treasury	4.32	3.44	-25.7
German Bund	2.89	1.45	52.5
UK Gilt	4.72	4.40	15.9
Japanese Gvt Bond	1.52	1.00	44.5

Exchange rates	Rate	Change (%) Daily	YTD
KWD per USD	0.31	0.01	-0.06
KWD per EUR	0.34	-0.28	5.29
USD per EUR	1.09	-0.29	5.15
JPY per USD	148.25	0.32	-5.68
USD per GBP	1.30	0.11	3.59
EGP per USD	50.62	0.14	-0.33

Commodities	$/unit	Change (%) Daily	YTD
Brent crude	70.95	2.00	-4.94
KEC	73.47	0.22	-3.06
WTI	67.68	2.16	-5.63
Gold	2939.1	0.90	11.79

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

Source: LSEG / Haver

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