

Daily Economic Update

Economic Research Department
2 May 2024

US: Fed keeps rates on hold but trims the pace of balance sheet reduction. The FOMC held the Fed Fund target rate steady at the 5.25-5.5% range, citing a lack of confidence in inflation slowing to the bank's 2% target. Chair Powell, in a post-meeting conference, flagged that the rate cuts could be delayed more than previously anticipated without alluding to any timeframe. He also signaled that the rate hike move was unlikely, calming some market jitteriness. In another decision, the Fed reduced the pace of the bank's balance sheet reduction (quantitative tightening) in terms of treasury securities, from \$60 billion a month to \$25 billion every month, starting in June, as it seeks to balance market liquidity conditions. However, it kept the runoff for mortgage-backed securities unchanged at a maximum of \$35 billion monthly. Overall, the FOMC outcome was well anticipated. Still, Powell's tone was somewhat less hawkish than many market participants had expected as he virtually slammed the door on rate hikes, at least for now. On the economic data front, the latest indicators came in weaker than forecast, as a gauge of manufacturing activity (ISM PMI survey) fell back into contraction territory to 49.2 in April from 50.3 in March as new orders and production sub-indices dropped. The input price measure jumped to its highest since July 2022, signaling early signs that goods-driven disinflation may have run its course. Meanwhile, job openings (JOLTS data) also declined more than forecast to 8.49 million in March, a three-year low, from an upwardly revised 8.81 million in February, with falling quits rates and hiring, underscoring some early softening in a still-tight labor market.

UK: House prices fell for the second month in a row. UK house prices fell by 0.4% m/m in April after a 0.2% m/m drop in March. This was below market expectations of a marginal 0.2% rise. On an annual basis, price increases slowed down to 0.6% in April from 1.6% in March. The average house price stood at £261,962 last month, versus £261,142 in March.

Saudi Arabia: Growth in non-oil activities decelerates to 2.8% y/y in Q1 but should improve going forward. As per the flash estimates, non-oil activities increased by 2.8% y/y in Q1 2024, softening from 4.2% in the previous quarter and 4.4% in full-year 2023. Growth in government activities stood at 2% y/y, marginally below the 2.1% increase recorded in 2023. Oil activities plunged by double digits for the third consecutive quarter, down 10.6% y/y, driving overall GDP to shrink by 1.8% in Q1. While growth in non-oil activities was on the soft side in Q1, we expect an improvement going forward given solid high-frequency indicators such as still-strong consumer spending growth, strengthening credit growth, improving PMI trends, and ongoing elevated oil prices.

Daily market indicators

| Stock markets | Index | Change (%) | |
|--------------------|--------|------------|--------|
| | | Daily | YTD |
| Regional | | | |
| Abu Dhabi (ADI) | 9,032 | -0.39 | -5.70 |
| Bahrain (ASI) | 2,029 | 0.00 | 2.92 |
| Dubai (DFMGI) | 4,133 | -0.54 | 1.81 |
| Egypt (EGX 30) | 25,271 | 3.36 | 1.76 |
| GCC (S&P GCC 40) | 697 | -0.74 | -2.22 |
| Kuwait (All Share) | 7,025 | -0.36 | 3.05 |
| KSA (TASI) | 12,346 | -0.40 | 3.16 |
| Oman (MSM 30) | 4,767 | -0.36 | 5.61 |
| Qatar (QE Index) | 9,709 | -0.19 | -10.36 |

| | | | |
|----------------------|--------|-------|-------|
| International | | | |
| CSI 300 | 3,604 | 0.00 | 5.05 |
| DAX | 17,932 | 0.00 | 7.05 |
| DJIA | 37,903 | 0.23 | 0.57 |
| Eurostoxx 50 | 4,921 | 0.00 | 8.84 |
| FTSE 100 | 8,121 | -0.28 | 5.02 |
| Nikkei 225 | 38,274 | -0.34 | 14.37 |
| S&P 500 | 5,018 | -0.34 | 5.21 |

| 3m interbank rates | % | Change (bps) | |
|--------------------|------|--------------|--------|
| | | Daily | YTD |
| Bahrain | 6.33 | 0.35 | -19.34 |
| Kuwait | 4.25 | 0.00 | -6.25 |
| Qatar | 6.00 | 0.00 | -25.00 |
| UAE | 5.32 | 0.29 | -1.20 |
| Saudi | 6.24 | -3.75 | 0.84 |
| LIBOR | 5.59 | 0.13 | -0.33 |
| SOFR | 5.33 | -0.27 | -0.46 |

| Bond yields | % | Change (bps) | |
|-----------------|------|--------------|-------|
| | | Daily | YTD |
| Regional | | | |
| Abu Dhabi 2027 | 5.23 | 2.10 | 91.0 |
| Oman 2027 | 6.20 | 9.80 | 104.0 |
| Qatar 2026 | 5.36 | 3.10 | 83.6 |
| Kuwait 2027 | 5.30 | 0.90 | 95.9 |
| Saudi 2028 | 5.37 | 0.10 | 84.8 |

| | | | |
|---------------------------|------|-------|------|
| International 10YR | | | |
| US Treasury | 4.59 | -9.30 | 73.1 |
| German Bund | 2.58 | 0.00 | 55.2 |
| UK Gilt | 4.37 | 1.80 | 83.1 |
| Japanese Gvt Bond | 0.89 | 2.10 | 27.7 |

| Exchange rates | Rate | Change (%) | |
|----------------|--------|------------|-------|
| | | Daily | YTD |
| KWD per USD | 0.31 | 0.09 | 0.23 |
| KWD per EUR | 0.33 | 0.44 | -0.27 |
| USD per EUR | 1.07 | 0.41 | -2.96 |
| JPY per USD | 154.47 | -2.11 | 9.51 |
| USD per GBP | 1.25 | 0.28 | -1.60 |
| EGP per USD | 47.80 | 0.06 | 55.04 |

| Commodities | \$/unit | Change (%) | |
|-------------|---------|------------|-------|
| | | Daily | YTD |
| Brent crude | 83.44 | -5.03 | 8.31 |
| KEC | 88.81 | n/a | 11.63 |
| WTI | 79 | -3.58 | 10.26 |
| Gold | 2299.9 | 0.37 | 11.52 |

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

Source: Refinitiv / Haver