

EYES ON MARKETS

GLOBAL MARKETS

The global expansion is resilient in the face of significant drags. However, although the data still point to the business cycle being dented but not derailed, consensus forecasts now project 1H22 GDP growth below trend. At close to 9% in Q1, global inflation is now showing twice the most rapid gain posted any time over the past quarter of a century, intensifying the cumulative squeeze on households' purchasing power, with the surge concentrated in Europe. Building agricultural price pressures will also likely weigh substantially on EMs.

Fed's hikes will be more front-loaded. The adjustment in pricing has briefly pushed the 2-10-year spread into negative territory at the end of March. While implying some rising recessionary risk, unless the Fed funds rate jump above the 2-year rate, a full-blown recession is not expected to materialise in the US this year, whereas risks are on the rise for 2023.

As the Fed tightens, there is an increasing probability that global equity markets will drop. To be sure, the US's can still reasonably fall around 20% from its January high without a sequential contraction in growth. The negative impact of compressing valuation multiples and inflation-driven lower profit margins might be affecting equities even as long as revenue growth remains solid.

China's difficulties in curtailing its Omicron wave pose a risk that supply chain disruptions in Asia could intensify and further boost goods pricing while limiting demand more broadly. This will make the policy target of achieving "around 5.5% growth" highly difficult. If growth deteriorates further, additional policy support may come from more rate cuts, new efforts to stabilize the housing market and likely fiscal transfers to households.

REGIONAL MARKETS

YTD 2022 S&P Shariah GCC Total Return Index (SPSHGT) is up 20.2% wherein Qatar and Kuwait are the outperformers i.e. up by 26.8% and 24.5% respectively. Oman, Bahrain, UAE and Saudi Arabia were the under-performers generating returns of 0.4%, 2.2%, 17% and 19.6% respectively.

S&P Saudi Shariah SAR Total Return Index (SPSHSART Index) increased YTD by 19.6% as cumulative inflows in the Net Foreign Portfolio Investment (NFPI) exceeded at USD7.8bn for the year. Local cement sales recorded 7.7% YoY decline in March, on the back of general slowdown in construction activity. Inflation jumped to 2.0% in March 2022 vs 1.6% in February driven by higher costs of gasoline and food prices. PMI for March 2022 increased to 56.8 from 56.2 in February and banking deposits grew 8.7% YoY in February 2022 vs 8.9% in

January 2022. FDI in 2021 recorded 257% YoY growth to reach USD19.3bn in 2021.

Reform focus took a more inward approach as NEOM launched ENOWA to ensure sustainable energy and water systems, Tolls are expected to come in Riyadh and Saudi corporations joined PIF for the low emission carbon market initiative. Second phase of Saudization came into effect in grocery stores improving employment prospects for locals. As a result of concerted efforts by government, number of private sector employees registered in the social insurance increased 6% YoY in 4Q21.

In terms of key developments, Dorra gas field will be developed jointly by KSA and Kuwait, USD214mn King's College Hospital is scheduled to open end 2023 in Jeddah and around 100 firms are lined for listing approvals at Tadawul. USD80bn were provided to SMEs during the pandemic and Hajj quota was increased to 1million post removal of COVID-19 restrictions. ACWA Power along with its partners kicked off the construction work at the world's largest green hydrogen project in NEOM and as per Bloomberg Saudi Aramco's Luberef refinery unit is planning an initial public offering at over USD1bn.

YTD GCC markets mainly UAE, Qatar and Kuwait registered USD6,103mn worth of inflows from NFPI, UAE's non-oil economy expanded 7.8% YoY in 4Q21, driven by easing of pandemic-related restrictions and Oman posted a budget surplus of USD546.88mn at the end of February vs USD1,189 million deficit a year earlier. Kuwait's gov't submitted its resignation ahead of a no-confidence vote against the Prime Minister in Parliament, amidst a lengthy political feud that has hindered fiscal reform in the Gulf oil producer.

Brent recorded sharp increase of 6.9% in March, while MSCI Emerging Market Index decreased by 2.5% and MSCI World Index registered 2.5% appreciation. 2 new IPOs were announced in March on main / parallel Saudi markets as the sentiment remained upbeat. Bloomberg Commodity TR Index also registered 8.6% increase during the month as COVID-19 recovery picked up pace. Based on 98% of Saudi Market Capitalization announcements corporate results depicted 108% YoY growth.

Global economic outlook remained uncertain as political turmoil continued in Eastern Europe. Following up on that commodities, especially energy related, spiked up increasing the chances of global recession in 2nd half of 2022. Similar concerns were depicted by US FED. Political surprises may cause amplified volatility both in commodities and equity markets. In the Saudi context, prevailing oil prices offer a great opportunity to beef up reserves so expecting extraordinary fiscal spending may not be feasible rather marginal spending boast is more

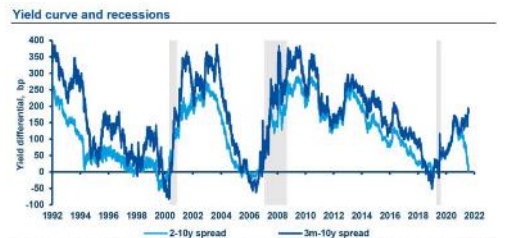
likely. Globally, we expect resolution of European political turmoil before Summer so 2H 2022 should witness rationalization in commodity prices, downward thrust in inflation and reversal of some expected rate cuts.

Global Growth – A Matter Of Time



Source: (J.P. Morgan)

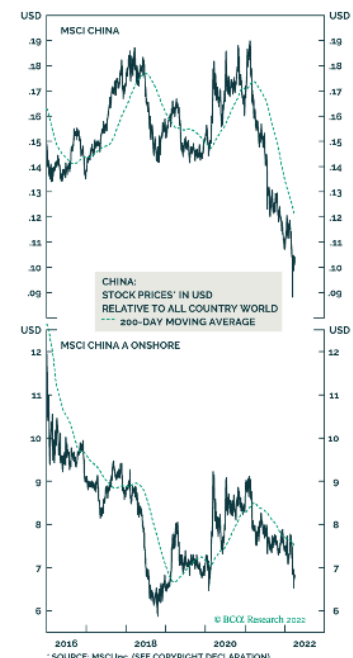
US Growth – At The Mercy Of The Curve



Source: Amundi Institute, Amundi Institute, Bloomberg as of 28 March 2022. Shaded areas in the chart show past recessions.

Source: Amundi

China Equities – Wall Of Worries



Source: BCA Research

GLOBAL MARKET INDICES

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2019 (%)	2020 (%)	2021 (%)
World	DJIM World TR	8,416.33	(4.1)	(12.4)	(2.4)	22.7	14.6	14.2	11.3	30.9	28.2	19.7
Developed	DJIDEV TR	4,759.50	(4.2)	(12.3)	(0.1)	24.1	15.6	14.9	12	31.6	27.4	23
Emerging Markets	DJIEMG TR	4,972.13	(3.1)	(13.8)	(20.2)	11.7	6.3	8.2	5.2	22.7	35.3	(4.7)
Saudi	TASI	13,682.39	4.5	22.2	37	41.7	14	14.3	6.2	7.2	4.4	27.9
NAREIT	All REITS (EM Inc) TR	3,366.76	(0.6)	(4)	7.4	20.3	4.8	6.3	7.4	23.6	(9.2)	23
GSCI	All Commodities	764.90	5.6	36.3	56.1	68	19.3	13.8	1.2	23.6	(9.2)	37.1
Currencies	Euro	1.08	(2.3)	(4.9)	(9.7)	(0.5)	(1.5)	0.4	(1.9)	(2.2)	8.9	(6.9)
	Yen	126.46	(3.8)	(9)	(14)	(7.8)	(4)	(3)	(4.4)	1	5.2	(10.3)
	GBP	1.31	(0.6)	(3.5)	(5.3)	2.1	(0.1)	1.3	(0.3)	3.9	3.1	(1)

Source: Global Data as end of 15 April 2022. Saudi Market Data as end of 17 April 2022.

* All values beyond 1 year are annualized

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