




# KFH Capital Monthly Insights

Capital Market Outlook & Updates

April 2026



# Capital Market Insights & Outlook

Crude Oil will determine inflation in global markets. We further evaluate other salient factors that will impact GDP growth and Monetary Policy....

Factor	View	Comments / Notes
Macro Update	Increased Downside Risks	The conflict has impacted global growth negatively as there have been downward revisions to 2026 forecasts. Fitch has revised its GDP growth forecast down to 2.5% from 2.8%. IMF growth forecast is now 3.1% down from earlier 3.4%. We believe monetary policy is likely to remain restrictive (tight); elevated Inflation prints due to higher energy & food prices coupled with steady jobs data do not warrant a rate cut. Most recent employment data on US recorded an unemployment rate of 4.3% inline with the previous month. Moreover, job addition has been on the decline as per released data.
Fixed Income	Neutral	The yield curve suggests market pricing higher for longer rates. Sticky inflation and concerns on fiscal deficits are driving the supply of long duration bonds, pushing yields higher. The bearish steepening of the curve indicates rate cuts are being priced out.
Equities	Neutral	Global equities continue to record new highs on the back of improved sentiments & strong earnings growth. However, we believe markets are being complacent as they under price or ignore risks of the ongoing conflict & risks of higher oil prices amid supply disruptions. A prolonged disruption is fueling inflation, increased downside risks to global growth is all adding up to a less supportive monetary policy outlook. We remain neutral with risks of increased volatility. Among equities, sectors with positive momentum include energy or commodities-based amid elevated prices driven by supply, as demand remains steady.
Commodities	Neutral to Positive	Commodity prices continue to move upwards as the conflict continues. Energy and Industrial base metal prices have a potential for further upside driven by supply dynamics. The Q2 2026 price for Brent has been forecasted upwards to USD 95 per barrel from earlier expectations of USD 88 per barrel.
KFH Private Wealth Insight	Topic of the Month	Central Banks at a Crossroads: Rate Cuts Derailed? At the start of 2024, markets overwhelmingly believed that interest rates had commenced their downward trajectory. Fed Funds futures had priced in six to seven cuts by the year-end. The ECB was expected to follow suit. The "soft landing" narrative was not priced as a possibility — it was priced as a certainty. Presently, that earlier consensus has been, in key respects, abandoned. Tariff shocks, sticky services inflation, resurgent energy prices and geopolitical fragmentation have collectively resulted in a more hesitant easing cycle than any major central bank or market participant had anticipated. We examine where markets thought central bank policy was heading & what actually occurred.

# Central Banks at a Crossroads: Rate Cuts Derailed?

How the promise of an easing cycle became 2025–26's most complicated policy question; What Markets Expected and What was Delivered

Central Bank	Expected Cuts (Jan 2024)	Cuts Delivered (2024–25)	Rate Apr 2026	2026 Bias
US Federal Reserve	6–7 cuts (-175 bps)	5 cuts (-150 bps)	3.50%–3.75%	Neutral
European CB	5–6 cuts (-150 bps)	8 cuts (-200 bps)	2.00%	Hold/cut H2
Bank of England	4–5 cuts (-125 bps)	6 cuts (-150 bps)	3.75%	Gradual cuts

Source: Bloomberg; central bank official communications; Goldman Sachs Global Investment Research. Expectations based on futures pricing as of 1 Jan 2024.



Factor	Comments / Notes
Tariff Inflation	US tariff re-escalation in 2025 added an estimated 0.6–1.2% to core PCE, directly challenging the Fed's cutting path
Energy Price Resurgence	Middle East escalation pushed Brent upwards, complicating disinflation across all major economies
Wage Growth	Labor markets in the US, UK, and parts of Europe experienced high wage growth that resulted in services inflation remaining elevated

## The Policy Divergence: Central Banks' dilemma

- United States — Caution is the new norm: The Fed began cutting in September 2024 with a bold 50 bps move, only to grow increasingly hesitant. Broad tariffs introduced in early 2025 presented the classic stagflationary dilemma: tariffs are simultaneously inflationary (an argument for holding rates) and demand-dampening (argues for cuts). The Fed responded by pausing and this move communicated uncertainty. With core inflation still at 2.6% and a softening but solid labor market, markets currently price only two further cuts in 2026. However; under the recent geopolitical backdrop resulting elevated inflation prints due to higher energy & food prices coupled with steady jobs data and softening but steady economic activity indicate a less supportive monetary policy with investors factoring in no rate cuts during 2026

# Central Banks at a Crossroads: Rate Cuts Derailed?

How the promise of an easing cycle became 2025–26's most complicated policy question; What Markets Expected and What was Delivered

- Europe — Well begun is half done: The ECB has been the most aggressive major central bank, delivering cuts of 200 bps since June 2024. Currently, the dilemma is structural: weak German industrial demand argues for lower rates, while persistent middle-east energy risk argues for caution. No further rate cuts seem to be in the near horizon for the region.
- U.K. — Stickiest inflation amongst the G7: The Bank of England occupies a uniquely uncomfortable position; it had cut rates — but more slowly than the economy's growth trajectory demanded. The United Kingdom's inflation problem proved to be the most persistent; at the heart of the problem is the UK's labor market and the wage dynamics that flow from it.
- Annual private sector wage growth in the UK exceeded 3.5% — a fundamentally incompatible rate with a 2% inflation target when productivity growth remained modest. Services inflation, which accounts for the majority of the UK's consumption basket, also contributed as a primary obstacle to a faster cutting pace. The Bank has delivered five cuts since August 2024, bringing the base rate to 3.75%, but each cut has been accompanied by language that carefully avoids any commitment to the pace or extent of future reductions.

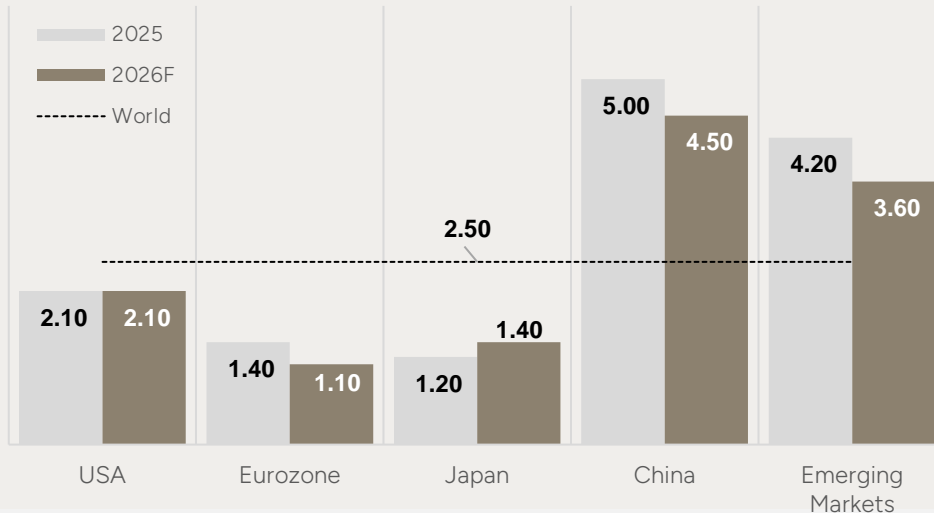
## Conclusion: Patience Over Prediction

- The lesson of the past two years is not that central banks erred, or that markets were naive. It is that the global economy has been operating in genuine structural transition — from ultra-low rates and contained inflation to something that may look quite different for an extended period. Tariffs, energy shocks, demographic wage pressures, and geopolitical fragmentation are not temporary noise; they are the new inputs into every major central bank's reaction function.
- The honest answer to "when will rates normalize?" is that neither the central banks nor the markets are able to predict with any degree of confidence. Summarizing the above then, we expect a couple of rate cuts in the US, no significant movement in Eurozone & data-driven cuts in the UK.

# Macroeconomic Overview

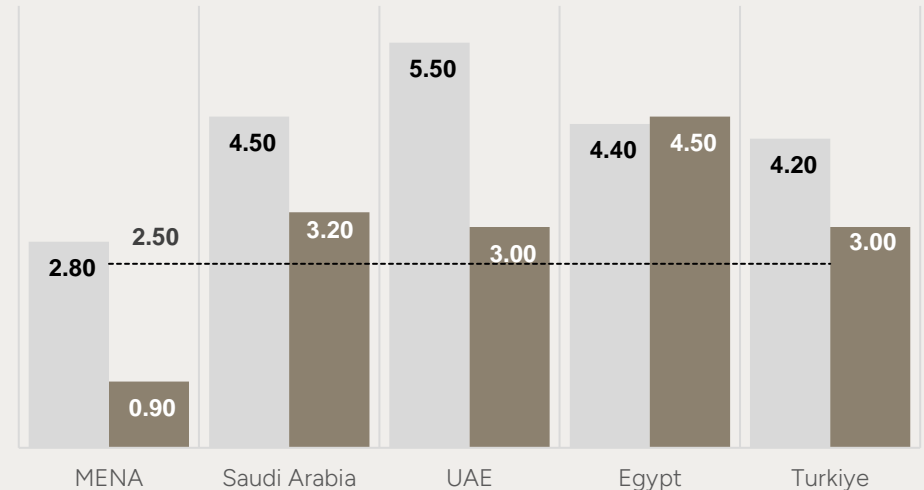
The Global economic outlook has been revised downwards; key drivers being elevated energy prices, slowing economic activity & higher inflation and rising uncertainty

## Real GDP Growth (%) - Global



- Fitch Solutions has revised global growth down to 2.5% from earlier forecasts of 2.8% for 2026. There was a downward revision by the IMF as well, as per the economic outlook report released during the month of April the 2026 growth has been revised to 3.1% from earlier 3.4%.
- The largest downward revisions was seen in the MENA region by Fitch. The updated forecasts now expect the region to record a growth of 0.9% for 2026. A sharp revision from earlier expectations of 4.9% for the same period and lower when compared to last year growth of 2.8%. For the MENA region major drivers include extensive infrastructure damage & logistics disruption

## Real GDP Growth (%) – MENA Region



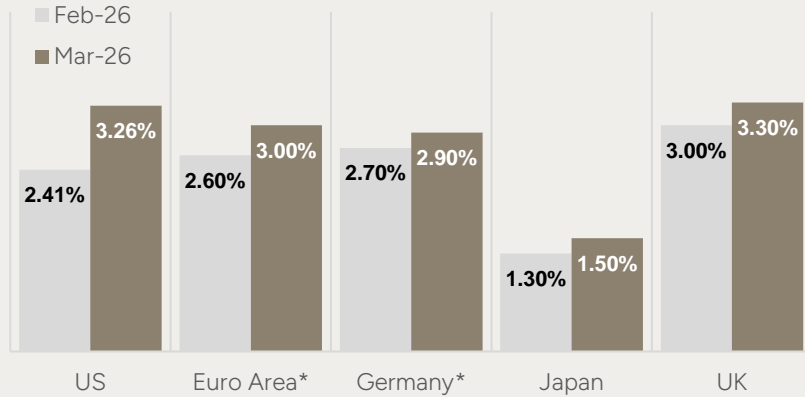
- In the case of GCC, economic activity is likely to contract by 3.2% during the same period. Kuwait is likely to witness a GDP contraction of 2.0% for 2026 as per Fitch forecasts – trade and economic disruptions being the primary drivers.
- In the case of Saudi Arabia, growth has been revised down to 3.2%, lower from earlier forecasts of 4.8%. UAE has also been revised down to 3.0% for 2026, down from earlier expectations of 5.6%. Qatar will be another country which is likely to witness a contraction of 4.0% in GDP for 2026.

Source: Fitch Solutions, f=forecasted, e=expected

# Consumer Price Inflation & Central Banks' Rates Monitor

Major Central Banks hold rates as recent inflation data reflects the direct impact of higher oil prices and fertilizer prices

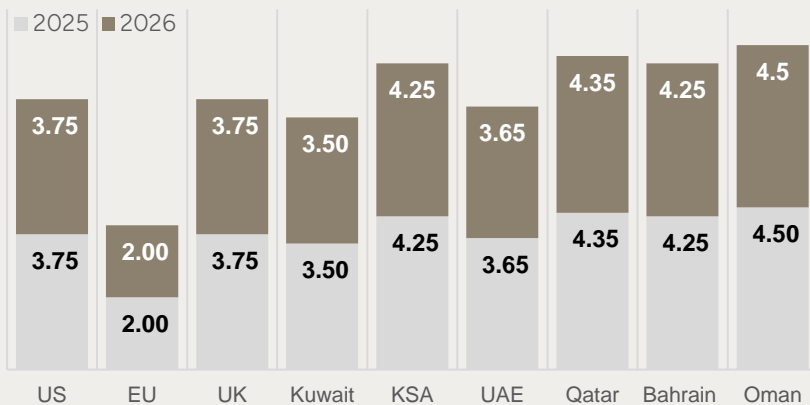
## Consumer Price Index (CPI)



- Recent inflation prints have moved upwards impacted by higher energy prices. In the case of US, the Consumer Price Index (Inflation) was up 3.3% on a year-on-year basis for the month ending March 2026. A sharp increase from 2.4% recorded during February 2026. The annual Euro area inflation stood at 3.0% up from previous month level of 2.6%. Key driver being higher energy and food costs, both on an average constitute 35% of the overall inflation indices weight
- Looking ahead, there have been upward revisions for 2026 inflation forecasts given the length of the conflict. IMF in its recently released economic outlook has revised inflation to 4.4% for 2026. Moreover, the report indicates that under adverse scenarios wherein the supply chains remain under pressure, there risk of inflation rising to 5.4% for the current year.

Source: Refinitiv; CPI: Consumer Price Inflation; \*for the month of April 2026;

## Central Banks Rates



## Economic Calendar

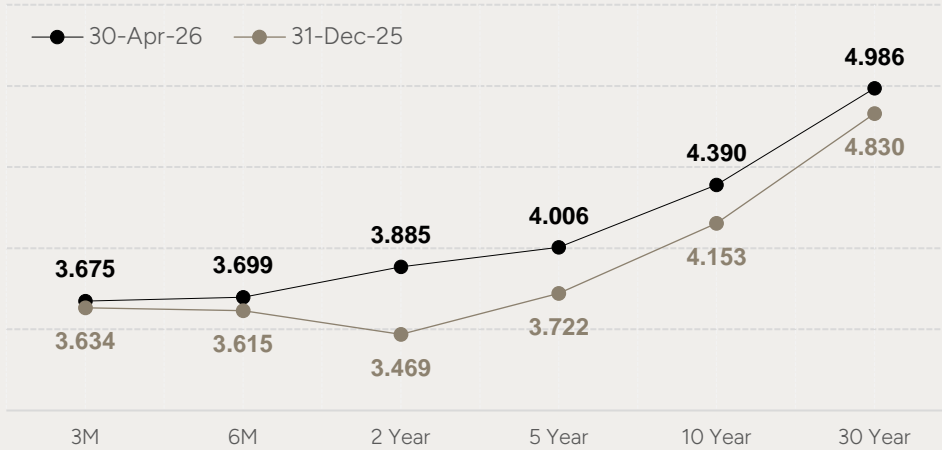
May 2026						
Sun	Mon	Tue	Wed	Thu	Fri	Sat
26	27	28	29	30	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31	1	2	3	4	5	6

- May 04:** Turkey CPI Data
- May 08:** Non-Farm Payroll - US
- May 12:** Consumer Price Inflation - US
- May 20:** Consumer Price Inflation - UK
- May 22:** Consumer Price Inflation - Japan

# Global Benchmark Yields

The markets witnessed a bearish steepening of the US Treasury Yield Curve as long-end yields have risen more than short-end

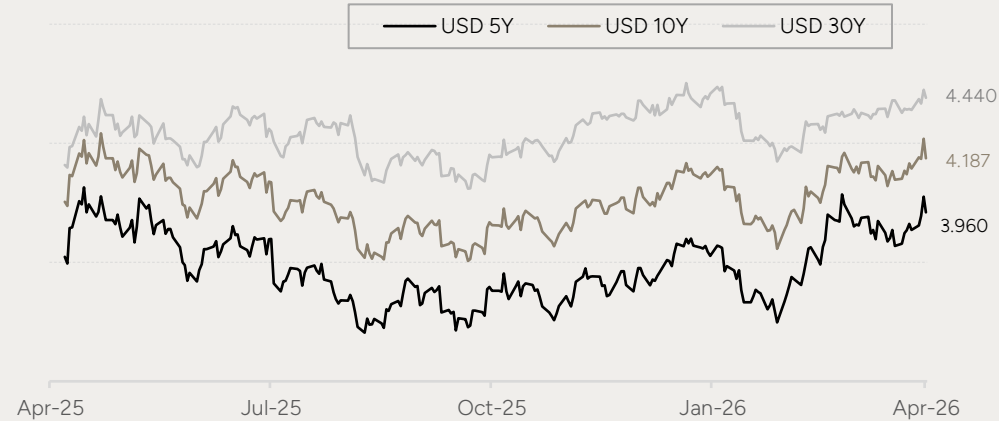
## US Treasury Yield Curve (%)



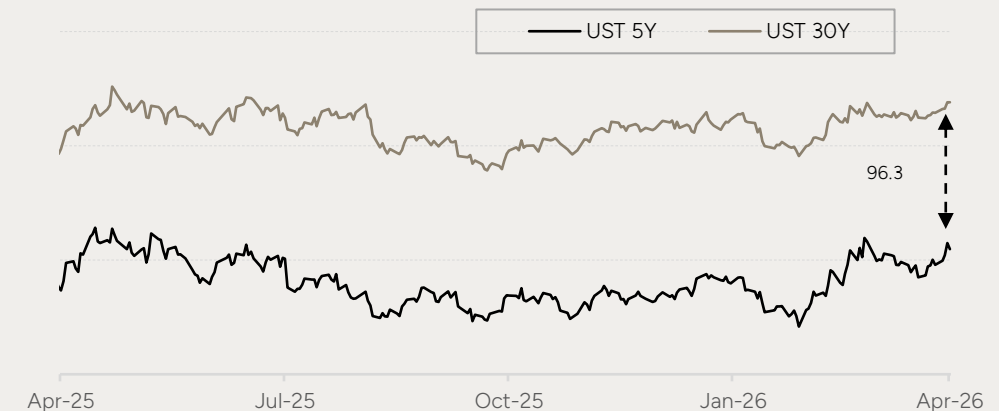
- The yield curve suggests market pricing higher for longer rates, sticky inflation and concerns on fiscal deficits driving the supply of long duration bonds, thus pushing yields higher.
- The 2Y US Treasury yields closed at 3.885% up 41.6bps on a YTD basis, whilst the 10Y yields have moved up by 23.7bps during the same period. The 30Y yields trade near the 5% mark as they closed at 4.986% up 15.6bps on a YTD basis

Source: Refinitiv, Year-to-Date (YTD) as of April 30, 2026

## US Mid-Swaps Yield (%)



## 30Y-5Y Spread (bps)



# Equity Markets Update

Global equities record gains despite the ongoing conflict in the Middle East; Strong quarter earnings support markets

Earnings have been strong and above expectations

Over 65% of the S&P500 companies have reported earnings so far, and earnings for the S&P 500 is on track to rise 28.2%; estimates for 2026 have been revised upwards. The S&P500 earnings for 2026 are expected to grow by 22.6%.

On segmental basis Emerging Markets have outperformed its global peers. Among the MSCI indices, the MSCI Emerging Markets index has recorded 21.85% gains on a YTD basis as we write. The MSCI World index was up 7.38% and the MSCI Europe Index was up 3.44% during the same period

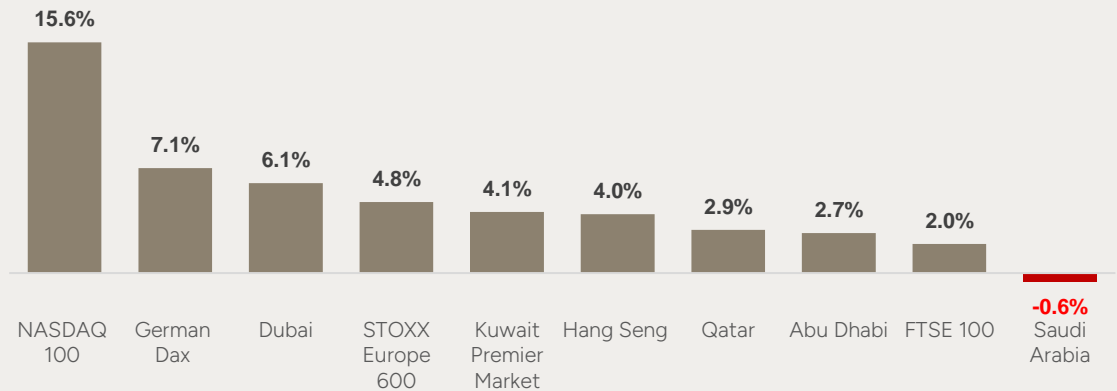
Improved sentiments drive GCC Indices

Amongst the GCC, DFM was the top performer while Saudi recorded a loss of 0.6% on monthly basis. In the case of DFM it was a rebound after a sell off during previous month; while Saudi markets witnessed profit booking after a rally during previous month

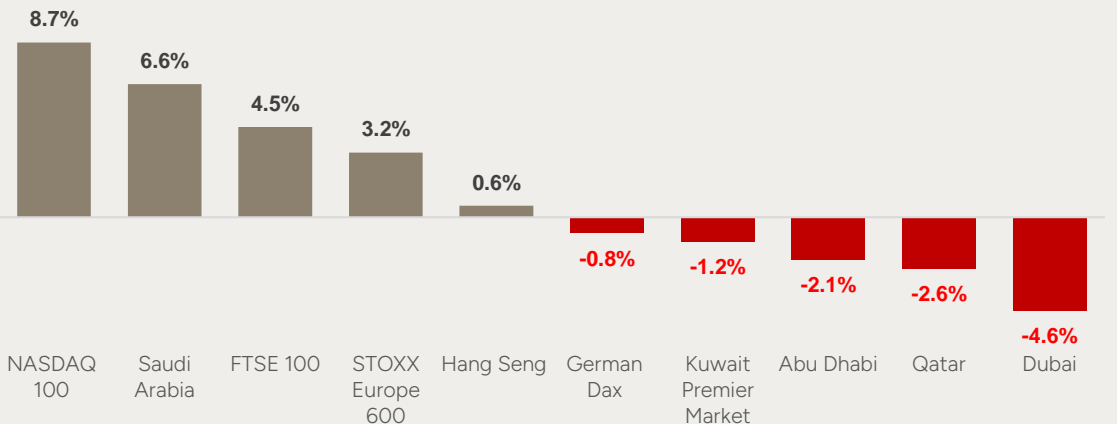
On sector basis, the Q12026 Banking sector earnings were up by high teens driven by similar growth in lending & higher non-operating income

In the case of Petrochemicals, Saudi Aramco reported 25% growth in earnings driven by top line growth due to higher crude prices and increased volumes

## Global Equity Markets Performance – Month to Date (MTD)



## Global Equity Markets Performance – Year to Date (YTD)\*



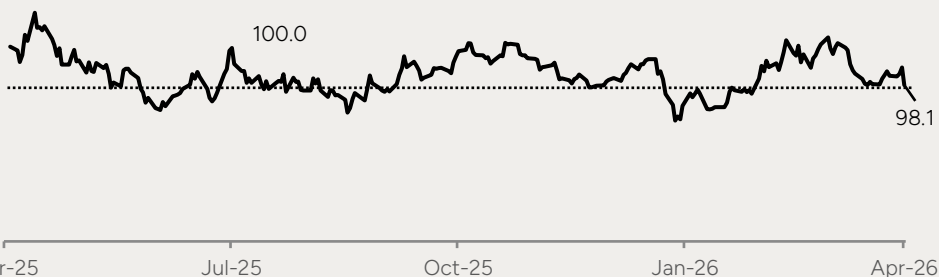
Source: Refinitiv; \*Index Closing as of April 30, 2026

# Commodities and Forex Overview

Conflict continues to drive commodity prices; energy and industrial metal prices are likely to witness upside risks amid physical disruptions

- The Brent continues to trade above the USD 100 per barrel mark as the supply chains witness physical disruptions. The average price for the Brent for the month of April was USD 102.8 per barrel up 3.18% from previous month average price of USD 99.6 per barrel. The Year to Date (YTD) average price for 2026 stands at USD 86.3 per barrel up 18.46% from same period last year price of USD 72.85 per barrel
- The crude oil outlook is correlated to the length of the conflict as we enter its third month. Fitch estimates the average price of Brent to move up to USD 95 per barrel from an earlier estimate of USD 88 per barrel if the standoff persists.
- Industrial base metals continue to record price gains on supply concerns; the Gulf region contributes 8-10% of global industrial metals; thus, supply dynamics remain the key driver for price gains.
- During the month of April, the average monthly price for Gold was down 2.78% compared to previous month average price

## US Dollar Index is down 0.27% on a Year-to-Date basis



Oil & Gas	Last	MTD	3M	YTD
NYMEX (USD Per Barrel)	105.07	3.64%	61.13%	82.99%
Brent Crude (USD Per Barrel)	114.01	-3.67%	61.28%	87.36%
DME Oman Crude (USD Per Barrel)	108.54	-27.51%	60.99%	76.69%
Natural Gas (USD MMBTU)	2.77	-4.06%	-36.45%	-24.93%
LNG - ASIA (USD MMBTU)	16.70	-13.47%	43.97%	73.96%
Precious Metals	Last	MTD	3M	YTD
Gold (USD Ozs)	4,614.70	-0.71%	-2.10%	6.68%
Silver (USD Ozs)	73.53	-1.55%	-6.07%	4.85%
Base Metals	Last	MTD	3M	YTD
Aluminum (USD/Tonne)	3,474.0	0.20%	10.50%	15.97%
Alu Alloy (USD/Tonne)	3,175.0	9.48%	26.54%	26.54%
Copper (USD/Tonne)	12,987.0	5.28%	-1.30%	4.54%
Tin (USD/Tonne)	49,214.0	5.28%	-5.28%	21.35%
Zinc (USD/Tonne)	3,361.0	4.17%	-1.21%	7.81%
Lead (USD/Tonne)	1,955.5	2.76%	-2.66%	-2.76%
Nickel (USD/Tonne)	19,468.0	13.78%	8.43%	16.95%
Rolled Steel (CNY/Tonne)	3,069.0	-0.16%	-0.48%	-0.86%

Source: Refinitiv, YTD as of April 30, 2026



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