

International

US: Initial jobless claims decreased by 19,000 to 787,000 in the w/e 26 December, better than predictions of 833,000. The figure is still well above the 200,000 claims recorded back in February, though. The House bill to increase pandemic stimulus payments from \$600 to \$2000, which was backed by President Trump, was blocked by Senate Majority Leader Mitch McConnell, who wanted "smart targeted aid, not another fire hose of borrowed money".

EU: The EU and China finally concluded 7-year long negotiations on the "Comprehensive Agreement on Investments". Pending bilateral ratification, the treaty should lead to improved market access in China for EU investors and a more level playing field. Climate change and labor rights also featured.

UK: The EU-UK Trade and Cooperation Agreement was overwhelmingly passed by parliament (Commons vote of 521 to 73) on Wednesday and went into effect on 1 Jan.

China: Industrial activity came in softer in December. Slower export growth was a significant factor. China revised down its 2019 GDP growth rate to 6.0%, from 6.1%, with manufacturing output seeing a sizeable readjustment.

Financial markets: Global equities were mostly positive last week, ending 2020 on a strong footing. China's CSI 300 and Japan's Nikkei 225 outperformed, increasing by 4.2% w/w and 2.9% w/w, respectively, while the S&P 500 rose 1.4% w/w.

Oil: Brent ended the week and the year at \$51.8/bbl, up 1% w/w (+8.8% mtd) but down 21.5% in 2020. Sentiment is generally more upbeat thanks to vaccine optimism and some recent data, such as the drawdown in US crude stocks (-6 mb to 493 mb) and the rebound in Chinese crude imports in November (+10% m/m) to 11.04 mb/d.

MENA Region

Kuwait: Kuwait's Chamber of Commerce and Industry (KCCI) warned that the country is facing an economic crisis due to the slow pace of economic and fiscal reform. Opposition MPs, however, indicated that any government reform plans that include taxes or spending cuts will be challenged.

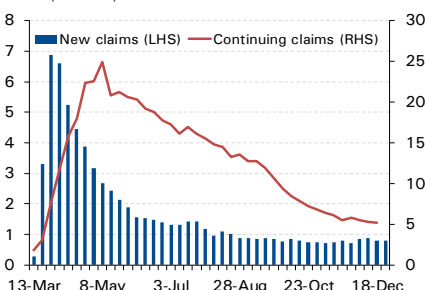
Saudi Arabia: Credit growth remained strong in November at 15.8% y/y (+9.6% y/y excluding mortgage lending). SAMA's foreign reserve assets increased by a relatively high \$10bn in November to stand at \$457bn (-8.6% ytd).

► **Chart 1: Brent crude oil price** (\$/bbl)



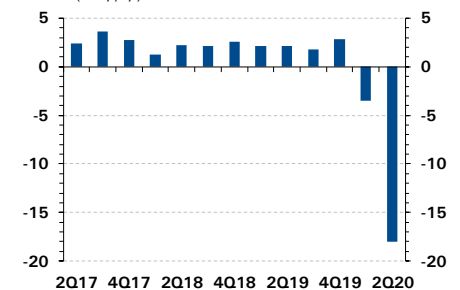
Source: Refinitiv

► **Chart 2: US jobless claims** (million)



Source: Refinitiv

► **Chart 3: Dubai real GDP growth** (% y/y)



Source: Ministry of Finance

UAE: Dubai real GDP fell by -18% y/y in 2Q20 due to the fallout of the pandemic, affecting many sectors especially transportation and storage (-48.9% y/y), and accommodation (-59.9% y/y). UAE consumer prices continued their declining trend, falling -2.4% y/y in November due to lower costs in the housing (-3.6% y/y), transportation (-6.2% y/y), and recreation and culture groups (-24.8% y/y).

Bahrain: The Central Bank extended loans repayment deferral by an additional six months starting January to help borrowers cope with the impact of the pandemic crisis.

Oman: In its recent 2021 budget, the government intends to reduce the budget deficit to 8% of GDP (\$5.7bn) from 16% of GDP (NBK est.). A 5% VAT will be rolled out in April, netting an expected \$779mn, or 1.1% of GDP.

Egypt: Real GDP grew by a preliminary 0.7% in 3Q20 (vs. -1.7% in 2Q20). This helped the unemployment rate fall to 7.3% in 3Q20—the lowest rate on record—from 9.6% in 2Q20. The trade deficit narrowed by 28.8% y/y to \$2.9bn in October on a decline in both exports (-13.1% y/y) and imports (-22.8% y/y).

Financial markets: GCC markets were mostly negative, with Abu Dhabi (-1.6% w/w), Dubai (-1.4% w/w) and Kuwait (-0.4% w/w) all down. The Saudi market declined by 0.2% w/w, but was the only one to record a gain (+3.6%) for the whole 2020.

Key takeaways:

- The approval of the UK-EU trade agreement helped avert a reversion to goods trading along more costly WTO rules. A deal on services, in which the UK enjoys a competitive advantage and trade surplus with the EU, remains to be finalized, though.
- The EU-China investment agreement, though a relative win for both parties, may create friction with the incoming Biden administration, which wants a coordinated transatlantic approach with China. For China, heading off that potential US-EU cooperation, is a geo-strategic and economic win.
- Higher oil prices will require a robust oil demand recovery in 1Q21, especially since OPEC+ producers appear keen to raise February crude volumes by another 500 kb/d.
- The initial reaction of some MPs to the KCCI warning portends a tough road ahead for needed fiscal reforms.

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	5,211	4.2	27.2
DAX	13,719	1.0	3.5
DJIA	30,606	1.3	7.2
Eurostoxx 50	3,553	0.3	-5.1
FTSE 100	6,461	-0.6	-14.3
Nikkei 225	27,444	2.9	16.0
S&P 500	3,756	1.4	16.3
Regional			
Abu Dhabi SM	5,045	-1.6	-0.6
Bahrain ASI	1,490	-0.2	-7.5
Dubai FM	2,492	-1.4	-9.9
Egypt EGX 30	10,845	1.5	-22.3
MSCI GCC	547	-0.7	-3.6
Kuwait SE	5,546	-0.4	-11.7
KSA Tadawul	8,690	-0.2	3.6
Muscat SM 30	3,659	1.6	-8.1
Qatar Exchange	10,436	-1.0	0.1

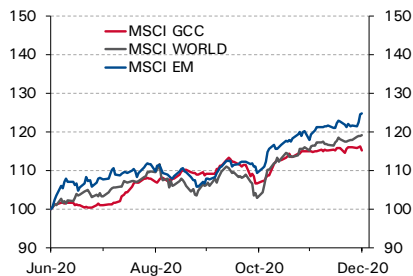
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	0.91	-1.8	-99.8
Bunds 10 Year	-0.58	-3.3	-38.8
Gilts 10 Year	0.20	-6.1	-62.9
JGB 10 Year	0.02	0.5	4.3
Regional			
Abu Dhabi 2022	0.50	-2.3	-154.2
Dubai 2022	0.20	-19.0	-226.8
Qatar 2022	0.52	5.7	-154.2
Kuwait 2022	0.46	-3.3	-160.2
KSA 2023	0.72	1.7	-158.2
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	51.8	1.0	-21.5
KEC	50.6	-0.5	-25.9
WTI	48.5	0.6	-20.5
Gold	1893.1	0.7	24.6

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.25	0.0	-41.7
Kibor - 3 month	1.44	0.0	-131.3
Qibor - 3 month	1.12	15.8	-112.9
Eibor - 3 month	0.51	8.0	-169.6
Saibor - 3 month	0.82	-0.1	-141.4
Libor - 3 month	0.24	-0.2	-167.0
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	-0.4	0.3
KWD per EUR	0.363	0.0	9.1
USD per EUR	1.221	0.2	8.9
JPY per USD	103.2	-0.4	-4.9
USD per GBP	1.367	0.9	3.1
EGP per USD	15.69	0.3	-1.9

Updated on 31/12/2020

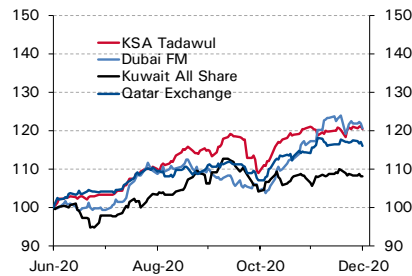
Source: Refinitiv

International equity markets (rebased, 30 June 2020=100)



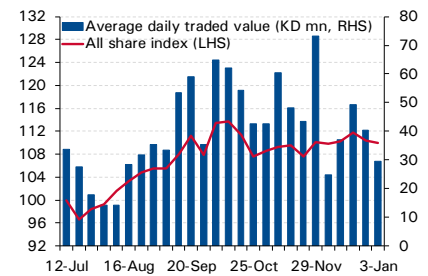
Source: Refinitiv

GCC equity markets (rebased, 30 June 2020=100)



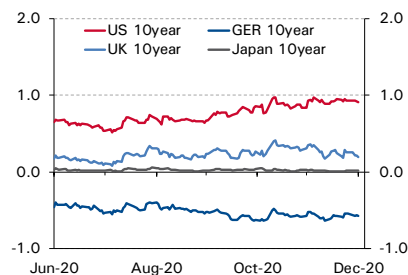
Source: Refinitiv

Bursa Kuwait (equity prices and trading activity)



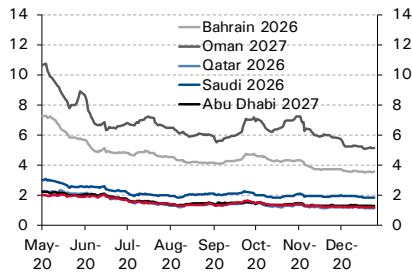
Source: Refinitiv

International bond yields (%)



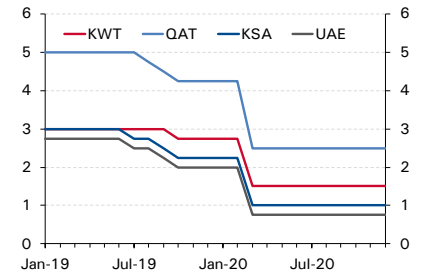
Source: Refinitiv

GCC bond yields (%)



Source: Refinitiv

GCC key policy rates (%)



Source: Refinitiv