

### International

**USA:** CPI inflation fell to 1.6% in January from 1.9% in December on lower energy costs, though the core rate was unchanged at 2.2%. Other data was downbeat with both retail sales (December, -1.2% m/m) and industrial production (January, -0.6%) falling sharply. President Trump signed a spending deal that averted another government shutdown, but declared a national emergency to unlock funding for his border wall – a move that will be challenged in Congress. Meanwhile US-China trade talks saw progress, but failed to make a breakthrough ahead of scheduled tariff hikes in March.

**Europe:** Eurozone GDP growth was confirmed at a modest 0.2% q/q in 4Q18. The figures included the first look at Q4 German GDP, which narrowly escaped a technical recession by recording unchanged output following a 0.2% decline in Q3. The export-dependent German economy has been hit particularly hard by the slowdown in global growth, especially in China. Meanwhile UK GDP grew 0.2% q/q amid softening Eurozone growth and Brexit-related uncertainty.

**Financial markets:** Global markets were helped by positive reports on US-China trade talks. The MSCI AC World rose 2.2% w/w, led by European stocks (+3.4%) and the DJI (+3.1%). US 10-year treasury yields rose 3 bps to 2.67%.

**Oil:** Brent closed up 7% w/w at \$66.3/bbl – its highest this year – as Saudi Arabia continued to cut crude output and on optimism on US-China trade. US sanctions on Venezuela have also contributed to oil's rally. OPEC output fell by 795 kb/d in January to 30.8 mb/d, led by Saudi Arabia (-349 kb/d), the UAE (-145 kb/d) and Kuwait (-90 kb/d). The IEA maintained its oil demand growth outlook for 2019 at 1.4 mb/d, supported by lower oil prices and the start-up of petrochemical projects.

### MENA Region

**Kuwait:** Provisional public finance data for the first 10 months of FY18/19 show little change to the earlier picture of a budget surplus generated by sluggish spending and higher oil prices. The surplus reached KD3.3 billion year-to-date (before transfers to the Reserve Fund for Future Generations), with revenues at KD17 billion on a 30% rise in the price of Kuwait Export Crude. Spending remained subdued, down 3.3% y/y with capex down 3.8%. 50% of the full-year capex budget was spent, versus 59% at the same stage last year.

Meanwhile the government has reportedly pushed back its 4 million b/d oil capacity target to 2023 from 2020 before.

**UAE:** The Dubai Economy Tracker climbed from 53.7 in December to 55.8 in January, on the back of robust gains in new orders, particularly in the wholesale & retail sector. Government-owned Emirates Development Bank will be the first to issue a \$750 million bond under the new Federal debt law this month, to help boost lending to SMEs.

**Oman:** The budget deficit came in at OMR2.7 billion (\$7 billion) in 2018, less than the budgeted OMR3 billion (\$7.8 billion), as revenues benefited from higher oil prices.

**Egypt:** In a surprise move, the central bank cut its main policy interest rates by 100bps, leaving the overnight lending and deposit rates at 16.75% and 15.75%, respectively. It said the move was justified by the slowdown in inflation, improved foreign exchange position and capital flows, and continued fiscal consolidation. Latest figures show that inflation reached 12.7% y/y in January from 12% in December, but this was still the second lowest reading since June 2016. Core inflation rose to 8.6% from 8.3% in December. Meanwhile, the government has revised its average expected exchange rate for FY18/19 to EGP18/\$1 from EGP17.25/\$1, and its forecast for the average interest rate offered on treasury bills to 18.6%, up from 14.7% previously.

**Financial markets:** Most GCC markets saw declines, and the MSCI-GCC was down 1.3% w/w. Qatar continued to witness a broad selloff on over-valuation concerns (-5.4%), while property woes still weighed on Dubai. Kuwait's All-Share index finished the week flat.

#### Key takeaways:

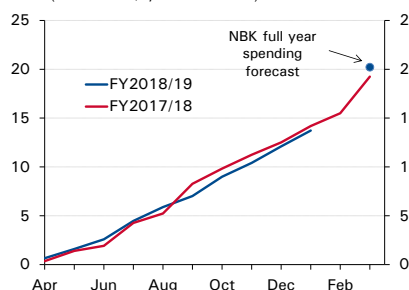
- OPEC compliance with its share of the 1.2 mb/d production cut agreement was already at 86% just one month in and Saudi's promise to go further and reduce output to 9.8 m/bd by March should if delivered support prices going forward.
- Relatively subdued government spending growth in Kuwait continues to lift the budget surplus, but also suggests limited support from fiscal policy for economic growth.
- Egypt's unexpected interest rate cut opens the door to further reductions this year despite anticipated subsidy cuts that could push inflation back above target. This could expose the pound to more volatility, especially after the recent ending of the FX repatriation mechanism.

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



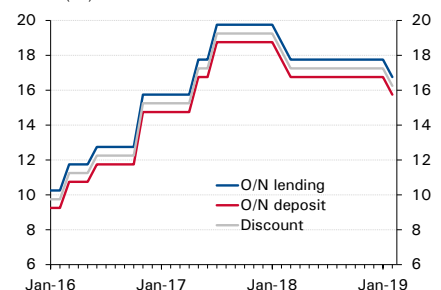
Source: Thomson Reuters Datastream

▶ **Chart 2: Kuwait govt spending** (KD billion, year-to-date)



Source: Ministry of Finance / NBK

▶ **Chart 3: Egypt policy interest rates** (%)



Source: Thomson Reuters Datastream

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	3,339	2.8	10.9
DAX	11,300	3.6	7.0
DJIA	25,883	3.1	11.0
Eurostoxx 50	3,241	3.4	8.0
FTSE 100	7,237	2.3	7.6
Nikkei 225	20,901	2.8	4.4
S&P 500	2,776	2.5	10.7
<b>Regional</b>			
Abu Dhabi SM	5,036	-1.5	2.5
Bahrain ASI	1,372	-3.3	2.6
Dubai FM	2,534	-0.4	0.2
Egypt EGX 30	14,984	1.6	14.9
S&P GCC 40	1,110	-1.5	0.9
Kuwait SE	5,197	0.0	2.3
KSA Tadawul	8,626	0.2	10.2
Muscat SM 30	4,109	-1.0	-5.0
Qatar Exchange	9,942	-5.4	-3.5

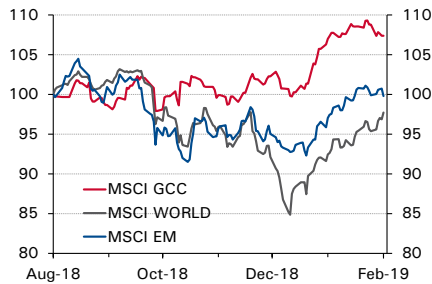
Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	2.67	3.4	-2.5
Bunds 10 Year	0.10	1.8	-14.3
Gilts 10 Year	1.16	0.8	-10.8
JGB 10 Year	-0.02	0.9	-2.1
<b>Regional</b>			
Abu Dhabi 2022	3.08	-3.1	-21.5
Dubai 2022	3.73	4.4	-19.7
Qatar 2022	3.28	-0.9	-17.6
Kuwait 2022	3.18	0.1	-14.6
KSA 2023	3.47	-3.1	-40.5
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	66.3	6.7	23.1
KEC	64.7	5.6	24.0
WTI	55.6	5.4	22.4
Gold	1318.1	0.3	3.1

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	3.95	0.0	0.0
Kibor - 3 month	2.63	6.3	31.3
Qibor - 3 month	2.89	-4.1	-1.6
Eibor - 3 month	2.84	-1.3	0.0
Saibor - 3 month	2.94	-2.0	-3.3
Libor - 3 month	2.69	-0.3	-11.4
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.1	0.2
KWD per EUR	0.343	-0.1	-1.6
USD per EUR	1.129	-0.3	-1.5
JPY per USD	110.5	0.7	0.8
GBP per USD	1.289	-0.4	1.0
EGP per USD	17.49	-0.3	-2.1

Updated on 15/2/2019 Source: Thomson Reuters Eikon

### International equity markets

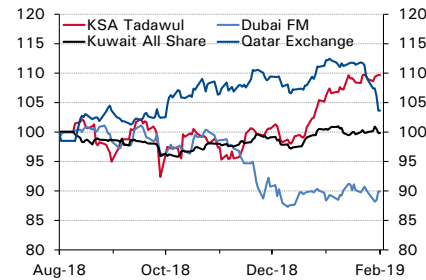
(rebased, 15 August 2018=100)



Source: Thomson Reuters Datastream

### GCC equity markets

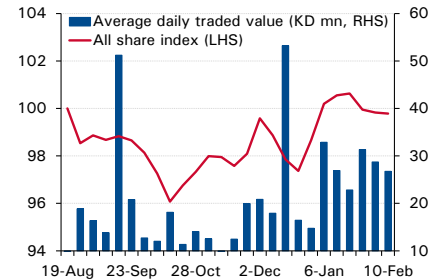
(rebased, 15 August 2018=100)



Source: Thomson Reuters Datastream

### Boursa Kuwait

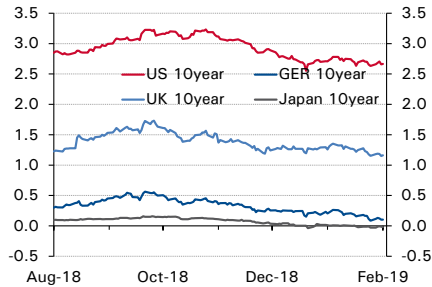
(equity prices and trading activity)



Source: Thomson Reuters Datastream

### International bond yields

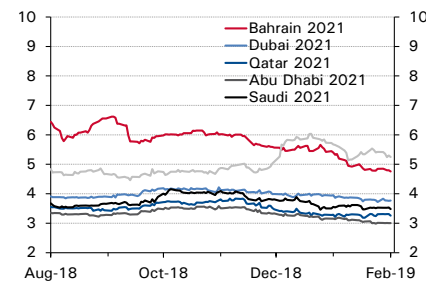
(%)



Source: Thomson Reuters Datastream

### GCC bond yields

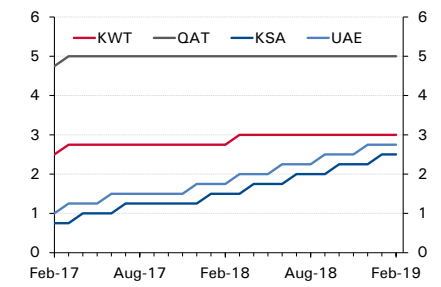
(%)



Source: Thomson Reuters Datastream

### GCC key policy rates

(%)



Source: Thomson Reuters Datastream