

## International

In its latest WEO update, the IMF revised down its global growth by 0.1% for 2020 to 3.3% – mainly due to sluggish growth in India – a modest increase in growth compared to 2019.

**US:** There was positive news on the housing market with existing home sales rising to a near-two-year high of 5.54 million in December (+11% y/y), suggesting the market continues to emerge from a spell of weakness, helped by low mortgage rates. Meanwhile the flash composite PMI rose to 53.1 in January from 52.7 in December, with manufacturing falling to a three-month low of 51.7 but services reaching a 10-month high of 53.2.

**Europe:** The European Central Bank left policy on hold at its January meeting, and as expected launched a strategic review of its activities that will last until December and cover issues including the bank's inflation target and climate change-related policies. The Eurozone flash composite PMI was unchanged at a weak 50.9 in January, with France affected by strike disruptions but Germany improving. The UK will formally leave the EU on January 31 after the Brexit bill was finally approved by parliament. The January flash PMI bounced to 52.4 from 49.3 in December, with services at a 16-month high of 52.9.

**China:** Concerns about the spread of the coronavirus – which had reportedly killed 56 people by the weekend and resulted in the lockdown of various cities – hit markets and the outlook for the economy, particularly travel and consumer spending.

**Financial markets:** Global equities dropped on worries about the coronavirus. The MSCI AC world lost 0.9% w/w, led by the DJI (-1.2%) and S&P500 (-1%), while emerging markets were hardest hit, down 2.1% led by the Shenzhen CSI 300 (-3.6% w/w). The US 10-year treasury yield lost 16 bps w/w to 1.68%.

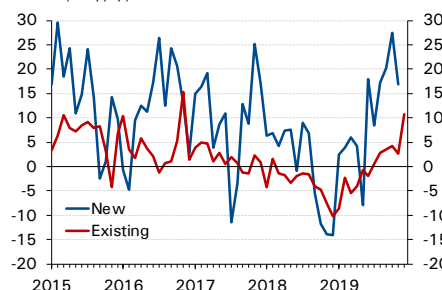
**Oil:** Brent ended -6.4% w/w at \$60.7/bbl, its lowest in more than two months. The drop – driven by concerns over the impact of the coronavirus epidemic on oil demand – came despite news that about 1 mb/d of Libyan crude was shut-in due to a blockade by General Haftar's forces. OPEC is thought to be mulling extending the production cuts beyond March to the end of the year, given the bearish oil demand outlook. Regionally, Neutral Zone (NZ) oil output (shared by Kuwait and Saudi Arabia) from the Wafra field, offline since May 2015, will recommence in March, Kuwait's oil minister Khaled Al-Fadhel said. This followed parliament's ratification of the Saudi-Kuwaiti NZ agreement.

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



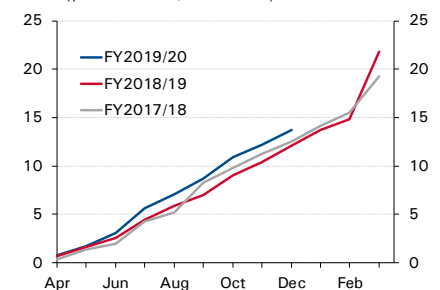
Source: Refinitiv

► **Chart 2: US home sales** (% y/y)



Source: Refinitiv

► **Chart 3: Kuwait govt spending** (year-to-date, KD billion)



Source: Ministry of Finance

## MENA Region

**Kuwait:** The preliminary fiscal deficit for the first nine months of FY2019/20 reached KD1.0 billion before transfers to the Future Generation Fund (pro-rated 3% of estimated 2019 GDP), versus a surplus of KD3.6 billion a year earlier. Revenues were down 19% y/y partly due to lower oil prices, while government spending rose 13% with wages and subsidies up strongly.

**Saudi Arabia:** After recording a y/y decrease for nearly every month in 2019, the CPI index finished the year up 0.2% y/y in December. Average inflation in 2019 was -1.2%, mainly on a 7.4% drop in housing rents. Meanwhile the Ministry of Finance issued international bonds of \$5 billion with three-tranche maturities of 7, 12, and 35 years, with yields ranging from 2.5%-3.8%, and pricing lower than the initial guidance. The issuance was more than 4-times oversubscribed.

**UAE:** Inflation in Abu Dhabi declined to -1.0% y/y in December from -0.3% the previous month. The decline in housing rents became steeper at -5.3% compared to -3.7% in November. Meanwhile, the number of inbound tourists to Dubai increased in 2019 by 5.1% to 16.7 million. Dubai has announced average hikes in government salaries of 10% effective January 1.

**Oman:** The Minister of Commerce and Industry announced plans to introduce VAT (5%) by early 2021. Inflation slowed to a four-year low of 0.1% y/y in 2019 from 0.9% y/y in 2018, on declining housing (-0.1%) and transportation (-1.0%) costs.

**Financial markets:** GCC markets were mixed but negative overall. The MSCI-GCC lost 1% w/w weighed down by Saudi Arabia (-0.9%) and Qatar (-0.7%). Abu Dhabi outperformed, gaining 1.3%, while Kuwait's All-Share rose a modest 0.3%.

### Key takeaways:

- The economic impact of the coronavirus epidemic will depend partly upon the authorities' success in preventing its spread, but some worst-case estimates suggest the outbreak could knock around 1% off Chinese GDP growth in 2020.
- Strong UK economic indicators including a bounce in the PMI and an unemployment rate of 3.8% (a four-decade low) point to receding political uncertainty over Brexit. The central bank will most likely leave interest rates on hold on Thursday.
- Latest figures show as expected low oil prices and rising spending weighing on Kuwait's fiscal position. With spending likely to accelerate towards year-end we expect the before-transfers deficit to reach 8% of GDP for the full FY19/20 year.

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,004	-3.6	-2.3
DAX	13,577	0.4	2.5
DJIA	28,990	-1.2	1.6
Eurostoxx 50	3,779	-0.8	0.9
FTSE 100	7,586	-1.2	0.6
Nikkei 225	23,827	-0.9	0.7
S&P 500	3,295	-1.0	2.0
<b>Regional</b>			
Abu Dhabi SM	5,245	1.3	3.3
Bahrain ASI	1,653	0.8	2.7
Dubai FM	2,838	0.3	2.6
Egypty EGX 30	13,728	-0.7	-1.7
MSCI GCC	568	-1.0	0.2
Kuwait SE	6,369	0.3	1.4
KSA Tadawul	8,386	-0.9	0.0
Muscat SM 30	4,070	0.2	2.2
Qatar Exchange	10,624	-0.7	1.9

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.68	-15.5	-23.0
Bunds 10 Year	-0.33	-11.6	-14.3
Gilts 10 Year	0.56	-6.9	-26.1
JGB 10 Year	-0.02	-2.2	0.0
<b>Regional</b>			
Abu Dhabi 2022	2.03	0.6	-1.3
Dubai 2022	2.49	-2.8	2.7
Qatar 2022	1.99	-6.4	-7.3
Kuwait 2022	2.04	0.6	-2.3
KSA 2023	2.27	-4.3	-2.6
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	60.7	-6.4	-8.0
KEC	63.6	-3.8	-7.0
WTI	54.2	-7.4	-11.3
Gold	1571.1	0.8	3.4

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.67	0.0	0.0
Kibor - 3 month	2.75	0.0	0.0
Qibor - 3 month	2.30	0.4	5.4
Eibor - 3 month	2.02	-4.5	-19.2
Saibor - 3 month	2.20	-2.0	-3.0
Libor - 3 month	1.79	-3.3	-11.4
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.1	0.2
KWD per EUR	0.334	0.1	0.2
USD per EUR	1.102	-0.6	-1.7
JPY per USD	109.3	-0.8	0.6
USD per GBP	1.308	0.5	-1.4
EGP per USD	15.75	-0.2	-1.6

Updated on 24/1/2020

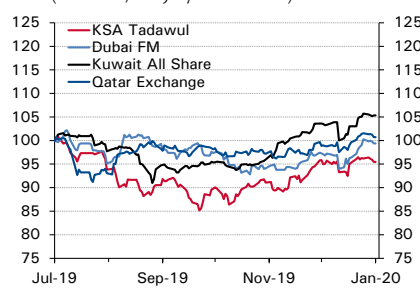
Source: Refinitiv

► **International equity markets**  
(rebased, 24 July 2019=100)



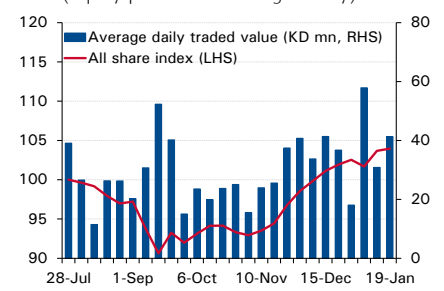
Source: Refinitiv

► **GCC equity markets**  
(rebased, 24 July 2019=100)



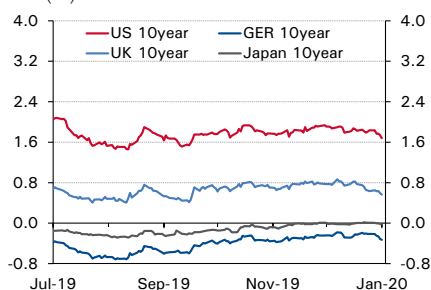
Source: Refinitiv

► **Bursa Kuwait**  
(equity prices and trading activity)



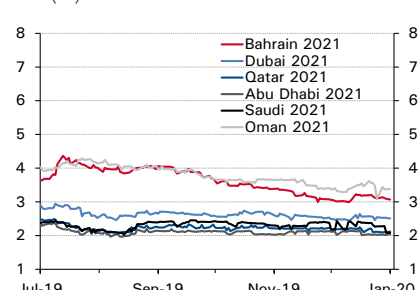
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► **International bond yields**  
(%)



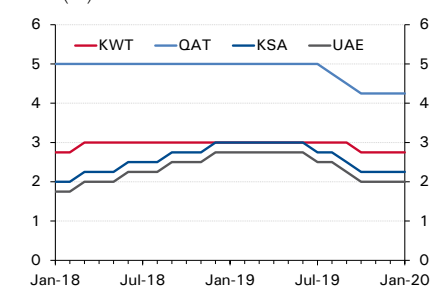
Source: Refinitiv

► **GCC bond yields**  
(%)



Source: Refinitiv

► **GCC key policy rates**  
(%)



Source: Refinitiv