

International

USA: Non-farm employment rose just 20,000 in February after a stellar 311,000 increase in January, though the unemployment rate still fell to 3.8% from 4.0% in January due to government shutdown-related effects. Growth in hourly earnings however reached a near decade high of 3.4% y/y. Meanwhile the US trade deficit hit a 10-year high of \$621 billion, or 3% of GDP, in 2018. President Trump said that he remained hopeful of reaching a deal with China but was prepared to “walk away” from a bad trade deal.

Europe: The European Central Bank cut sharply its growth forecasts for 2019 to 1.1% from 1.7% and announced the restart of a program of cheap loans to banks to encourage lending. It also said that it would keep interest rates on hold until at least the end of the year, later than previously stated.

Financial markets: Equities fell last week on concerns over global growth. The MSCI AC world was down 1.8%, led by the DJI and S&P, each down by 2.2% w/w. Bond yields eased.

Oil: Brent rose 1% w/w to \$65.7/bbl. Friday saw some selling pressure after soft US jobs and Chinese export data, but the decline was tempered by a third consecutive week of lower US oil rig counts – perhaps signaling slowing shale oil growth.

MENA Region

Kuwait: Data from PIFSS show that employment growth among Kuwaitis reached an almost four-year high of 4.2% y/y in 3Q18, from 4.1% in 2Q18. Public sector jobs rose a steady 4.3% y/y and accounted for 83% of the rise in employment overall, but private sector jobs growth did pick up to 3.8% from 3.3% in Q2. Meanwhile, the NBK consumer spending index shows consumer spending up 0.2% y/y in February, rebounding from the 1.7% y/y decline in January. The pickup was led by moderate growth in service expenditures and softer declines in durable and non-durable purchases.

Saudi Arabia: The PMI increased to a 14-month high of 56.6 from 56.2 in January, driven by a sharp increase in domestic business. Employment growth was negligible, however, with firms’ hiring at the slowest pace in almost five years. It was reported that the authorities are considering doubling the Islamic tax paid by local banks (Zakat) to 20%, but officials quickly denied the news.

UAE: The PMI slipped from 56.3 in January to a more than

two-year low of 53.4 in February on softer output and new orders. Employment activity saw its largest contraction on record on the back of cost-cutting. The easing comes amid growing concerns over weakness in Dubai’s economy, especially in real estate, and investors are concerned about the dearth of data on key economic indicators and poor consistency of data releases in the emirate. Meanwhile, UAE inflation fell to -2.4% y/y in January, its lowest on record on the back of VAT-related base effects and deeper housing cost deflation (-5.8% y/y).

Bahrain: The IMF sees GDP growth remaining at 1.8% in 2019. It expects the government’s Fiscal Balance Program and the \$10 billion GCC support package to help ease the kingdom’s financial constraints and lower the budget deficit to 4% of GDP by 2020 from an estimated 11.7% of GDP in 2018.

Oman: Moody’s downgraded Oman’s credit rating to non-investment grade over its large fiscal deficit (5% of GDP), high debt level (50% of GDP) and amid few visible fiscal reforms.

Egypt: Inflation jumped to 14.4% y/y in February from 12.7% in January, driven by a rise in food price inflation to 15.4%. This came after the central bank cut interest rates 100 bps in February. Meanwhile the PMI fell to 48.2 in February, its lowest since September 2017 and the sixth consecutive month of contraction, though the future output component rose. Net foreign reserves rose to \$44.1 billion in February, up from \$42.6 billion in January.

Financial markets: The MSCI GCC index fell 1.3% w/w led by Abu Dhabi (-4.3%) and Qatar (-3.3%), affected by weakness in financial and blue chip stocks. Boursa Kuwait’s All Share index was the region’s only climber, up 1.5%.

Key takeaways:

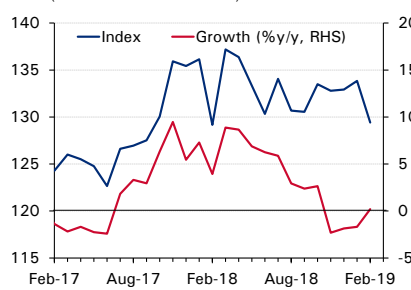
- The fears of a global slowdown are materializing. The ECB decision to inject fresh stimulus and postpone interest rate hikes followed a similar recent announcement by the US Fed. Interest rates in the GCC region will also remain on hold.
- Latest employment data showed an increase in jobs for Kuwaitis, though still predominantly in the public sector. Faster jobs growth should support consumer spending, which despite February’s rise has been soft recently.
- The pickup in inflation in Egypt may lead the central bank to pause on cutting its policy rate when the Monetary Policy Committee meets later this month.

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



Source: Thomson Reuters Datastream

▶ **Chart 2: Kuwait consumer spending** (NBK Consumer index)



Source: NBK

▶ **Chart 3: Egypt inflation** (% y/y)



Source: Thomson Reuters Datastream

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,658	-2.5	21.5
DAX	11,458	-1.2	8.5
DJIA	25,450	-2.2	9.1
Eurostoxx 50	3,284	-0.9	9.4
FTSE 100	7,104	0.0	5.6
Nikkei 225	21,026	-2.7	5.1
S&P 500	2,743	-2.2	9.4
Regional			
Abu Dhabi SM	4,914	-4.3	0.0
Bahrain ASI	1,409	-0.3	5.4
Dubai FM	2,595	-1.6	2.6
Egypt EGX 30	14,904	0.7	14.3
S&P GCC 40	1,121	-4.3	1.9
Kuwait SE	5,310	1.5	4.5
KSA Tadawul	8,479	-0.2	8.3
Muscat SM 30	4,113	-0.8	-4.9
Qatar Exchange	9,781	-3.3	-5.0

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.63	-13.0	-6.6
Bunds 10 Year	0.07	-11.3	-17.2
Gilts 10 Year	1.19	-10.6	-7.9
JGB 10 Year	-0.03	-2.1	-3.4
Regional			
Abu Dhabi 2022	3.03	1.3	-26.4
Dubai 2022	3.75	5.3	-17.8
Qatar 2022	3.26	4.1	-18.7
Kuwait 2022	3.06	0.1	-25.7
KSA 2023	3.53	18.3	-34.4
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	65.7	1.0	22.2
KEC	65.6	1.2	25.8
WTI	56.1	0.5	23.5
Gold	1297.0	0.0	1.5

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	3.85	-5.0	-10.0
Kibor - 3 month	2.69	6.3	37.5
Qibor - 3 month	2.89	-2.5	-1.8
Eibor - 3 month	2.76	-9.9	-7.4
Saibor - 3 month	2.90	-0.7	-7.1
Libor - 3 month	2.60	-1.5	-20.7
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.0	0.2
KWD per EUR	0.341	-1.1	-2.1
USD per EUR	1.124	-1.2	-2.0
JPY per USD	111.2	-0.7	1.5
GBP per USD	1.302	-1.4	2.0
EGP per USD	17.38	-0.5	-2.7

Updated on 8/3/2019 Source: Thomson Reuters Eikon

International equity markets

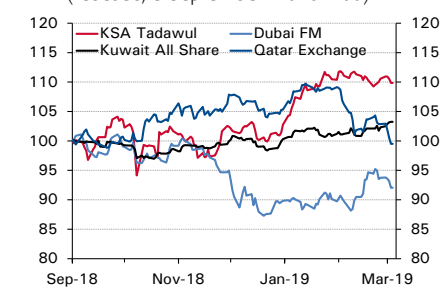
(rebased, 5 September 2018=100)



Source: Thomson Reuters Datastream

GCC equity markets

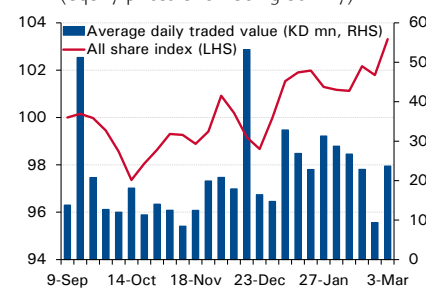
(rebased, 5 September 2018=100)



Source: Thomson Reuters Datastream

Boursa Kuwait

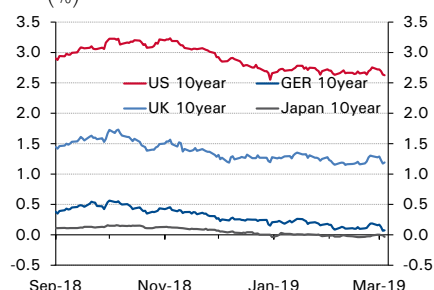
(equity prices and trading activity)



Source: Thomson Reuters Datastream

International bond yields

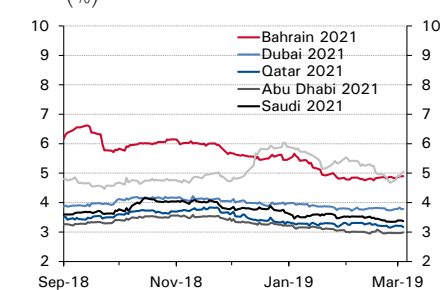
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Source: Thomson Reuters Datastream

GCC bond yields

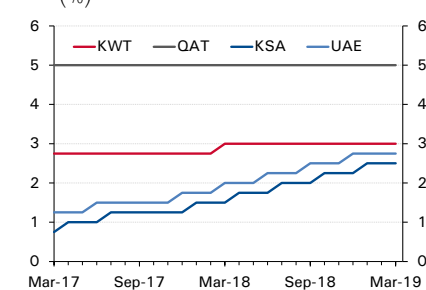
(%)



Source: Thomson Reuters Datastream

GCC key policy rates

(%)



Source: Thomson Reuters Datastream