

## International

**US:** The job market in the US points to a faltering recovery as virus infection is still high. Non-farm jobs rose a modest 49,000 in January, partially reversing December's sharply upwardly revised drop of -227,000. Most of the new jobs were in the public sector while the hospitality sector continued to contract. The unemployment rate fell to 6.3% from 6.7% in December, albeit helped by workers leaving the labor force. However, the ISM services activity survey rose to a two-year high of 58.7, offering hope for stronger employment growth in months ahead. Still, President Joe Biden appears to be determined to push through his \$1.9 trillion (9% of GDP) fiscal stimulus package despite concerns over its cost and possible inflationary pressure.

**UK:** The Bank of England kept policy on hold (Bank rate at 0.1%, asset purchases of £895 billion), though asked banks to prepare for the possibility of negative rates in future. While downgrading GDP growth in 2021 to 5% from 7.25% three months ago, the Bank still expects a rapid rebound in growth from mid-year given vaccine rollout and a recovery in consumer spending helped by accumulated savings.

**Financial markets:** Global equity markets witnessed a strong rally with the EuroStoxx 50, S&P 500, and the Nikkei 225 increasing w/w by 5%, 4.6%, and 4%, respectively. The S&P 500 closed at a record-high, driven by fiscal stimulus hopes and better-than-expected Q4 earnings results.

**Oil:** Brent rose to within touching distance of \$60 last week, closing on Friday at a new one-year high of \$59.3/bbl (+6.2% w/w; 14.6% ytd). Market optimism rose appreciably on the reconfirmed OPEC+ commitment to drain excess oil supplies, the continued increase in Chinese oil demand, and the falling of US crude stocks to the lowest levels since June 2020.

## MENA Region

**Kuwait:** Rating agency Fitch cut Kuwait's outlook from stable to negative last week, while maintaining the sovereign's rating at AA, due to the expected depletion of the GRF and the absence of a debt law. Meanwhile, the Kuwait government has reportedly swapped some of its illiquid assets in Kuwait Finance House, telecoms company Zain and KPC for liquidity from the Future Generations Fund to finance its large deficit.

**Saudi Arabia:** Non-oil growth accelerated for the fifth month in a row in November with the PMI reaching 57.1, the highest level

since November 2019. Meanwhile, initiatives to increase the employment of citizens continued unabated with the decision to nationalize the remote customer service jobs, which could provide 20,000 jobs for citizens.

**Egypt:** The CBE left its rates unchanged in its meeting on February 4, with inflation remaining within the new target of 7% ( $\pm 2\%$ ). The CBE announced its commitment to "utilize all available tools to support the recovery of economic activity, within its price stability mandate".

**Financial markets:** Regional stock markets were mostly negative led by Saudi Arabia (-2.1% w/w), driven by renewed Covid-19 restrictions on the back of increasing virus infection numbers. Kuwait's All-Share Index decreased by 0.9% w/w as the MSCI GCC index dropped by 1.1%.

### Key takeaways:

- The US labor market momentum slowed in January, providing further ammunition for the Biden administration to push ahead for its large fiscal stimulus without a bipartisan agreement. The White House hit back at criticism by former Treasury Secretary, Larry Summer, for suggesting that such a large package could lead to inflation, characterizing it as "foolish". The IMF seems to support a large package, given the US fiscal space. However, concerns over inflation are rising.
- The recent announcements by the Kuwaiti authorities about swapping some illiquid assets owned by the KIA against liquidity from the FGF could provide some breathing space for the budget but these are stop-gap measures that will not provide a sustainable solution to the fiscal position without much-needed reforms to be supported by the debt law.
- The CBE decision to keep interest rates steady may be motivated by the need to maintain real rates attractive to foreign capital in comparison with other emerging markets rates. The recent rise in the interest rates in Turkey, for example, makes the real rates similar to that of Egypt.
- The renewed movement restrictions in many GCC countries (including travel restrictions), due to the increasing Covid-19 infections and the risk of on-going virus mutations, could be an early indication that the GCC economic recovery in 2021 might not be as smooth as earlier expected. This highlights the importance of ramping up the vaccination rollouts.

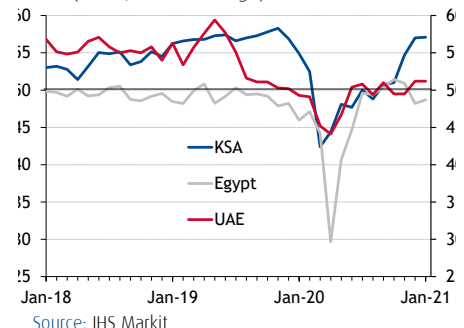
▶ **Chart 1: Brent crude oil price** (\$/bbl)



▶ **Chart 2: US ISM activity indices** (index, 50=no change)



▶ **Chart 3: MENA region PMIs** (Index, 50=no change)



## Key data

| Stock markets        | Index  | Change (%) |      |
|----------------------|--------|------------|------|
|                      |        | 1-week     | YTD  |
| <b>International</b> |        |            |      |
| CSI 300              | 5,483  | 2.5        | 5.2  |
| DAX                  | 14,057 | 4.6        | 2.5  |
| DJIA                 | 31,148 | 3.9        | 1.8  |
| Eurostoxx 50         | 3,656  | 5.0        | 2.9  |
| FTSE 100             | 6,489  | 1.3        | 0.4  |
| Nikkei 225           | 28,779 | 4.0        | 4.9  |
| S&P 500              | 3,887  | 4.6        | 3.5  |
| <b>Regional</b>      |        |            |      |
| Abu Dhabi SM         | 5,664  | 0.4        | 12.3 |
| Bahrain ASI          | 1,461  | 0.3        | -1.9 |
| Dubai FM             | 2,671  | -1.0       | 7.2  |
| Egypt EGX 30         | 11,599 | 0.2        | 6.9  |
| MSCI GCC             | 555    | -1.1       | 1.6  |
| Kuwait SE            | 5,694  | -0.9       | 2.7  |
| KSA Tadawul          | 8,618  | -2.1       | -0.8 |
| Muscat SM 30         | 3,606  | -1.2       | -1.4 |
| Qatar Exchange       | 10,431 | -1.1       | 0.0  |

| Bond yields          | %       | Change (bps) |      |
|----------------------|---------|--------------|------|
|                      |         | 1-week       | YTD  |
| <b>International</b> |         |              |      |
| UST 10 Year          | 1.17    | 7.6          | 25.8 |
| Bunds 10 Year        | -0.44   | 7.7          | 13.2 |
| Gilts 10 Year        | 0.48    | 15.6         | 28.7 |
| JGB 10 Year          | 0.06    | 1.2          | 4.2  |
| <b>Regional</b>      |         |              |      |
| Abu Dhabi 2022       | 0.56    | 8.5          | 5.8  |
| Dubai 2022           | 0.50    | 6.1          | 30.1 |
| Qatar 2022           | 0.54    | -4.5         | 1.8  |
| Kuwait 2022          | 0.61    | -1.3         | 15.1 |
| KSA 2023             | 0.74    | -1.9         | 2.4  |
| <b>Commodities</b>   |         |              |      |
|                      | \$/unit | Change (%)   |      |
|                      |         | 1-week       | YTD  |
| Brent crude          | 59.3    | 6.2          | 14.6 |
| KEC                  | 59.6    | 8.6          | 17.7 |
| WTI                  | 56.9    | 8.9          | 17.2 |
| Gold                 | 1810.9  | -2.0         | -4.3 |

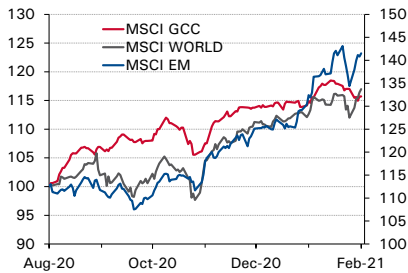
| Interbank rates       | %     | Change (bps) |       |
|-----------------------|-------|--------------|-------|
|                       |       | 1-week       | YTD   |
| Bhbor - 3 month       | 2.20  | 0.0          | -5.0  |
| Kibor - 3 month       | 1.44  | 0.0          | 0.0   |
| Qibor - 3 month       | 1.01  | 5.9          | -11.0 |
| Eibor - 3 month       | 0.35  | -4.7         | -15.8 |
| Saibor - 3 month      | 0.81  | -0.3         | -0.4  |
| Libor - 3 month       | 0.19  | -1.2         | -4.6  |
| <b>Exchange rates</b> |       |              |       |
|                       | rate  | Change (%)   |       |
|                       |       | 1-week       | YTD   |
| KWD per USD           | 0.302 | 0.0          | -0.4  |
| KWD per EUR           | 0.363 | -0.1         | -0.1  |
| USD per EUR           | 1.204 | -0.8         | -1.4  |
| JPY per USD           | 105.4 | 0.6          | 2.1   |
| USD per GBP           | 1.373 | 0.2          | 0.4   |
| EGP per USD           | 15.64 | -0.1         | -0.3  |

Updated on 5/2/2021

Source: Refinitiv

### International equity markets

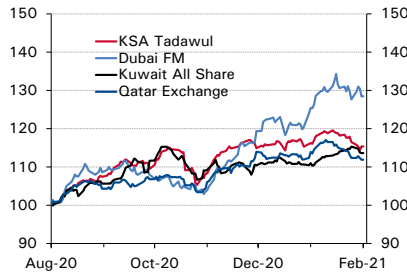
(rebased, 5 August 2020=100)



Source: Refinitiv

### GCC equity markets

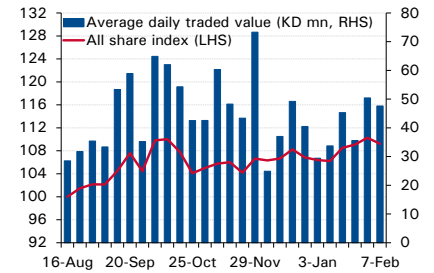
(rebased, 5 August 2020=100)



Source: Refinitiv

### Boursa Kuwait

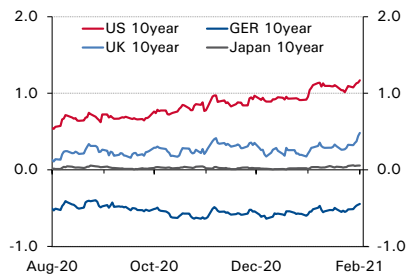
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

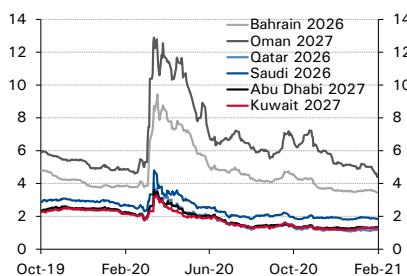
(%)



Source: Refinitiv

### GCC bond yields

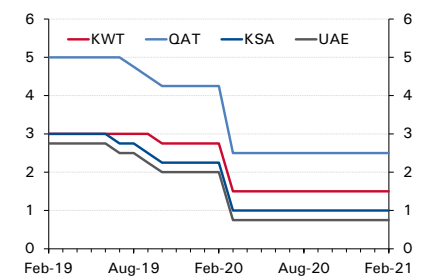
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv