

International and markets

Global outlook: The IMF raised its global economic growth outlook for 2021, from 5.5% in January to 6%, the highest rate since 1976. This was mainly due to the significant fiscal stimulus especially in the US and the ongoing vaccination efforts. For the advanced economies, the IMF revised up its 2021 growth estimate from 4.3% to 5.1%; with the US growth rate at 6.4%, Japan (+3.3%), Germany (+3.6%) and France (+5.8%). Emerging markets growth was revised to 6.7%, with China's economy to grow by 8.4% this year. For the MENA region, the IMF projects 2021's growth at 4%. It also hiked its forecast for oil-exporting countries in the region from 3.3% to 4.6%.

US: Producer price inflation – which measures business selling prices – jumped in March, pushing the y/y rate up to a near-decade high of 4.2%. The rise comes amid fears that strong economic growth and huge government stimulus could trigger higher price pressures. Indeed, ISM index survey data showed services activity rising at its fastest pace on record (63.7). The Biden administration proposed a new global minimum corporate tax rate of 21% partly aimed at preventing countries from undercutting one another and also multinationals from shifting operations and profits into lower tax jurisdictions.

EU: In view of the delay in dispatching the euro 750 billion-recovery fund, concerns are rising about the EU recovery this year. The ECB policymakers stepped up their pressure on governments to go ahead with their joint fiscal stimulus, or else the region will experience economic chaos. The escalating concerns of many policymakers came after Germany's top court temporarily blocked the ratification of the bond issue, which all governments must sign off on before it can be done.

China: The producer price index rose sharply in March to 4.4% y/y. As the world's biggest exporter, rising prices in China could stoke global inflation. Inflation risks are increasing given a stronger global recovery and massive fiscal stimulus in the U.S.

Financial markets: Global stock markets continued to rally on economic recovery optimism and a dovish Fed. The MSCI AC world gained 1.8% w/w, while the 10-year treasury yield eased by 5 bps to 1.67%. GCC markets tracked their global counterparts higher (MSCI GCC up 0.8% w/w) with Abu Dhabi (2%) and Kuwait (2%) in the lead.

Oil: Brent closed down on Friday at \$62.95/bbl, dropping 2.9% w/w as spiking Covid-19 infections forced lockdowns in Europe

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



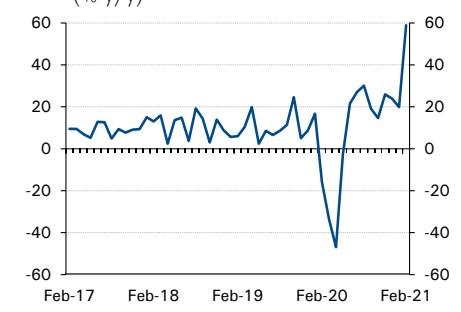
Source: Refinitiv

► **Chart 2: US producer price inflation** (% y/y)



Source: Refinitiv

► **Chart 3: Kuwait consumer spending** (% y/y)



Source: KNet

and India. A rise in US gasoline stocks and a stronger US dollar towards the end of the week were also bearish for oil. Earlier, though, US and China services activity and —the IMF's upward revision to 2021 global economic growth, had been supportive.

MENA Region

Kuwait: Consumer spending continued its strong growth in 2021. Total KNet transactions amount accelerated by 58.9% y/y in March after 19.8% y/y a month earlier, reaching about KD 2.2 billion, which is the highest spending amount recorded. The government revealed its action plan for 2021-25 that aims, among other things to reduce the imbalances in public finances through restructuring the wage bill while implementing the VAT and excise taxes.

Saudi Arabia: Non-oil private sector activity increased in March for the seventh month in a row, although at a slower pace, with the PMI decreasing to 53.3 (53.9 in February). Meanwhile, the Crown Prince launched the masterplan to turn the archeological site of "AlUla" into a global destination for heritage, nature, art, and culture. The masterplan's third and final phase is set for completion in 2035, targeting the creation of 38,000 new jobs and contributing SAR 120 billion to the country's GDP.

Egypt: Urban inflation remained unchanged at 4.5% y/y in March, despite an increase of 1% in food and beverage prices. Meanwhile, the PMI contracted for four months in a row, reaching 48 in March after 49.3 in February. This may indicate that there remains some weakness in the recovery of the non-oil private sector, as Egypt's efforts to contain the pandemic are still underway.

Key takeaways:

- The sharp acceleration in US producer price inflation in March will heighten market and policymaker watchfulness of price pressures ahead, especially as the economic rebound could see rising costs passed through to consumer prices.
- While downside risks to oil prices currently predominate with continued COVID-linked oil demand uncertainty, hopes are high that by the summer, higher vaccine penetration rates will facilitate an acceleration in economic growth, boosting oil prices.
- Kuwait unveiled the government's working plan for 2020-2025 that aims to resolve structural imbalances in the economy. However, successful reforms will depend on close executive-legislative cooperation.

Key data

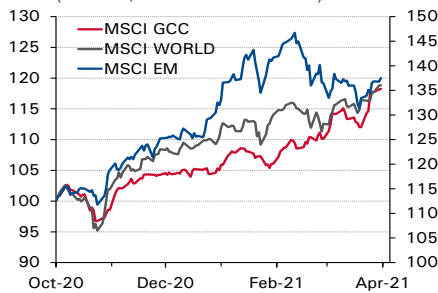
Stock markets				Bond yields				Interbank rates			
Index	Change (%)			%	Change (bps)			%	Change (bps)		
	1-week	YTD			1-week	YTD			1-week	YTD	
International				International				Regional			
CSI 300	5,035	-2.4	-3.4	UST 10 Year	1.67	-1.3	75.4	Abu Dhabi 2022	0.49	4.4	-1.0
DAX	15,234	0.8	11.0	Bunds 10 Year	-0.30	2.8	27.8	Dubai 2022	0.64	-13.3	43.9
DJIA	33,801	2.0	10.4	Gilts 10 Year	0.78	-2.2	57.9	Qatar 2022	0.42	-0.5	-10.5
Eurostoxx 50	3,979	0.8	12.0	JGB 10 Year	0.11	-1.2	8.4	Kuwait 2022	0.48	-5.7	1.8
FTSE 100	6,916	2.6	7.0	Regional				KSA 2023	0.77	-5.6	5.1
Nikkei 225	29,768	-0.3	8.5	Commodities				Exchange rates			
S&P 500	4,129	2.7	9.9								
Regional											
Abu Dhabi SM	6,059	2.0	20.1	Brent crude	63.0	-2.9	21.5	KWD per USD	0.302	-0.1	-0.7
Bahrain ASI	1,454	0.0	-2.4	KEC	61.9	NA	22.22	KWD per EUR	0.363	0.0	-0.1
Dubai FM	2,583	1.0	3.6	WTI	59.3	-3.5	22.3	USD per EUR	1.190	1.1	-2.6
Egypt EGX 30	10,304	-2.5	-5.0	Gold	1743.3	1.0	-7.9	JPY per USD	109.7	-1.0	6.2
MSCI GCC	622	0.8	13.7					USD per GBP	1.371	-0.9	0.3
Kuwait SE	5,926	2.0	6.9					EGP per USD	15.66	-0.1	-0.2
KSA Tadawul	10,012	1.2	15.2								
Muscat SM 30	3,709	1.1	1.4								
Qatar Exchange	10,542	0.8	1.0								

Updated on 9/4/2021

Source: Refinitiv

International equity markets

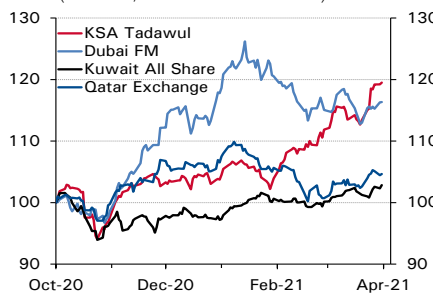
(rebased, 7 October 2020=100)



Source: Refinitiv

GCC equity markets

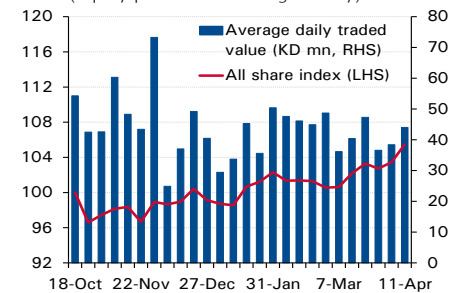
(rebased, 7 October 2020=100)



Source: Refinitiv

Bursa Kuwait

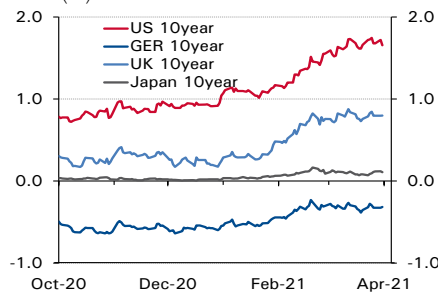
(equity prices and trading activity)



Source: Refinitiv

International bond yields

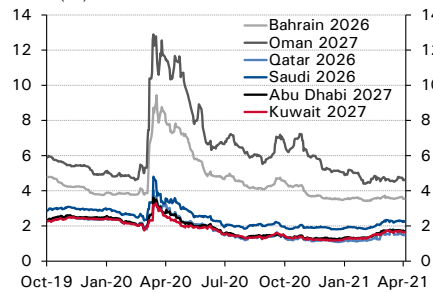
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Source: Refinitiv

GCC bond yields

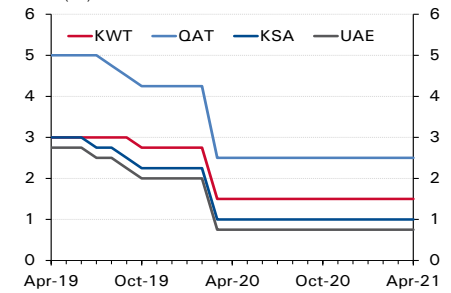
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv