

International and markets

US: The US stimulus bill was passed by Congress and signed into law by President Biden, providing a \$1.9 trillion (8-9% of GDP) boost to the economy more than half of which should filter through this year – with individual checks starting to be delivered within days. The measure continues to fuel growth and inflation concerns particularly in financial markets, though core CPI inflation came in below consensus at 1.3% y/y in February (1.4% in January), while headline inflation picked up to 1.7% on higher fuel costs. Also encouraging for activity was the fall in initial jobless claims to a 17-week low of 712,000 in the w/e March 6, helped by state reopening measures benefitting the hospitality sector in particular.

EU: As expected, the ECB left its policy broadly unchanged (deposit rate -0.5%, €1.85 trillion in PEPP asset purchases), but said it would conduct bond purchases at a faster pace over the coming quarter to counter the recent bond market sell-off and underpin the growth outlook. It revised up both GDP growth for 2021 by 0.1% to 4.0% and inflation by 0.5% to 1.5%.

UK: GDP saw a renewed drop in January after tough virus restrictions were reintroduced, but by a smaller than feared - 2.9% m/m with services contracting 'only' 3.5%. Trade with the EU fell sharply in both directions.

Financial markets: Global markets (excluding China) were up strongly, with the EuroStoxx50 increasing by 4.5% w/w and the Nikkei 225 adding 3%. US markets defied higher treasury yields – the 10-year reached a 13-month high of 1.64% – with the DJIA gaining 4.1% w/w. GCC markets were generally positive as the MSCI GCC index increased by 3.7% w/w, led by KSA (+3.7%), while Kuwait's All Share index added 1.6%.

Oil: Brent was a shade below \$70 on Friday, closing down 0.2% w/w at \$69.2/bbl (+33.6% ytd). The rally has largely been driven by OPEC+ supply cuts and expectations of a vaccine-facilitated economic recovery, which got a further boost last week with the passage of the US stimulus package. Higher prices will stimulate US crude output, the EIA forecast, however. Sizeable US crude output (+0.9 mb/d to 10.9 mb/d) and inventory gains (+13.8 mb to 498 mb) were recorded last week.

MENA Region

Kuwait: Credit started the year on a decent note, increasing by 0.3% m/m and resulting in y/y growth of 3.5%. Business credit

increased in January at the fastest pace since April 2020, leading to 3.3% y/y growth, while household credit growth was steady reflecting a 6.6% y/y increase.

Saudi Arabia: The central bank extended its Deferred Payment Program for an additional three months (until June 2021), while it extended the Guaranteed Financing Program for a full year (until mid-March 2022). While this reflects the ongoing strong support for the private sector, it also shows that the pandemic fallout is not over yet and that more time is needed for a more sustained normalization of business activities.

Oman: Oman will lower corporation tax for SMEs for 2020 and 2021 as well as for companies operating in sectors aimed at economic diversification. These and other fiscal measures will reduce the fiscal deficit substantially this year. The Sultanate also plans to offer long-term residency to foreign investors.

Egypt: Economic growth reached 2% y/y in Q2 of FY20/21 (Oct - Dec) from 0.7% a quarter earlier, pushing the average growth rate to 1.35% in the first half of the current FY. Meanwhile, after urban inflation accelerated to 4.5% in February from 4.3% in January, despite a drop of 0.5% y/y in food and beverage prices. Core inflation stabilized at 3.6%.

Key takeaways:

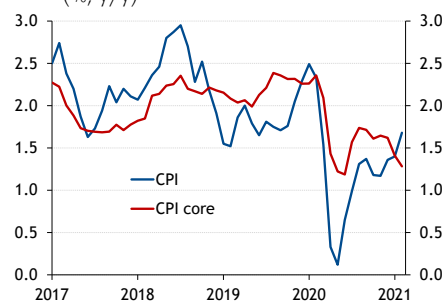
- US inflation worries continue to rattle the bond market. Core inflation is likely to pick-up sharply in the coming months due to y/y base effects. The Fed meets this week and may talk down the inflation threat as did the Secretary of Treasury – but it must also avoid appearing unconcerned which could push yields even higher.
- The rise in oil prices is a welcome development for GCC countries, but this should not lead to complacency on reforms since prices could be short-lived or may not last well into the future. An oil price of \$70 remains below the breakeven price for most GCC countries.
- The ECB decision was reassuring to markets especially with the introduction of repeated "flexibility" in the announcement, echoing Mr. Draghi's "whatever it takes approach". With inflation expected to remain below the ECB's target even in 2023, loose monetary policy is expected to remain in place at least until then, barring any major developments.
- As February's inflation remained low, Egypt's central bank is expected to keep its policy rates unchanged at its meeting on March 18, to continue attracting foreign capital while anchoring inflation expectations within the new set target of 7% (±2%).

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



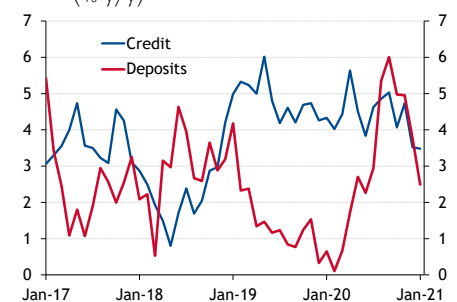
Source: Refinitiv

▶ **Chart 2: US Inflation** (% y/y)



Source: Refinitiv

▶ **Chart 3: Kuwait Credit growth** (% y/y)



Source: CSB

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	5,146	-2.2	-1.2
DAX	14,502	4.2	5.7
DJIA	32,779	4.1	7.1
Eurostoxx 50	3,833	4.5	7.9
FTSE 100	6,761	2.0	4.7
Nikkei 225	29,718	3.0	8.3
S&P 500	3,943	2.6	5.0
Regional			
Abu Dhabi SM	5,637	-1.0	11.7
Bahrain ASI	1,469	-0.3	-1.4
Dubai FM	2,573	0.2	3.3
Egypt EGX 30	11,261	-0.6	3.8
MSCI GCC	598	3.7	9.4
Kuwait SE	5,741	1.6	3.5
KSA Tadawul	9,588	3.7	10.3
Muscat SM 30	3,702	1.3	1.2
Qatar Exchange	10,225	2.2	-2.0

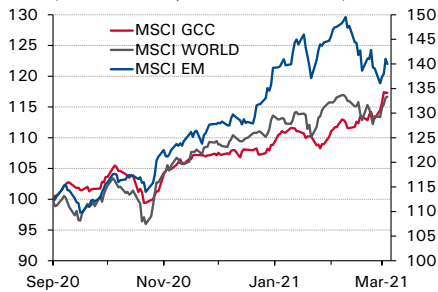
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.64	8.1	72.3
Bunds 10 Year	-0.30	0.9	28.0
Gilts 10 Year	0.82	6.6	62.8
JGB 10 Year	0.11	2.4	9.3
Regional			
Abu Dhabi 2022	0.49	-2.7	-1.6
Dubai 2022	1.06	24.4	85.8
Qatar 2022	0.59	1.3	6.4
Kuwait 2022	1.17	-1.0	71.3
KSA 2023	0.97	11.1	25.4
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	69.2	-0.2	33.6
KEC	68.56	2.2	35.39
WTI	65.6	-0.7	35.2
Gold	1719.5	1.3	-9.2

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.89	-5.0	-35.8
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	0.95	0.0	-17.1
Eibor - 3 month	0.44	11.3	-6.8
Saibor - 3 month	0.80	-0.1	-2.1
Libor - 3 month	0.18	0.8	-5.5
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.302	-0.2	-0.5
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.195	0.3	-2.1
JPY per USD	109.0	0.6	5.6
USD per GBP	1.392	0.6	1.8
EGP per USD	15.65	0.0	-0.3

Updated on 12/3/2021 Source: Refinitiv

International equity markets

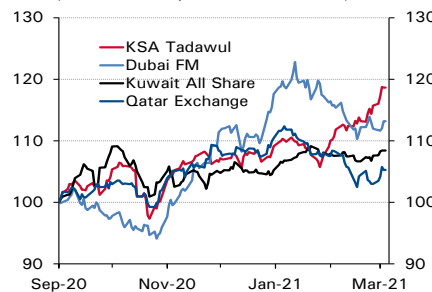
(rebased, 9 September 2020=100)



Source: Refinitiv

GCC equity markets

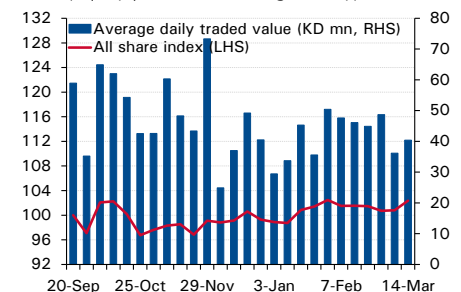
(rebased, 9 September 2020=100)



Source: Refinitiv

Bursa Kuwait

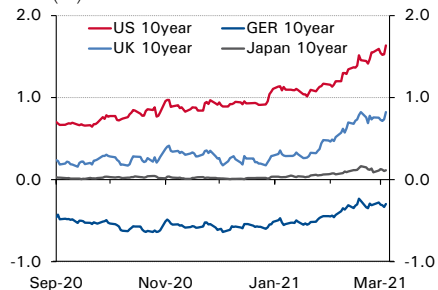
(equity prices and trading activity)



Source: Refinitiv

International bond yields

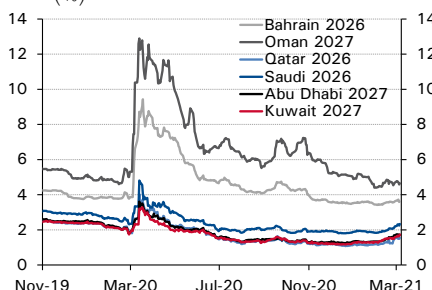
(%)



Source: Refinitiv

GCC bond yields

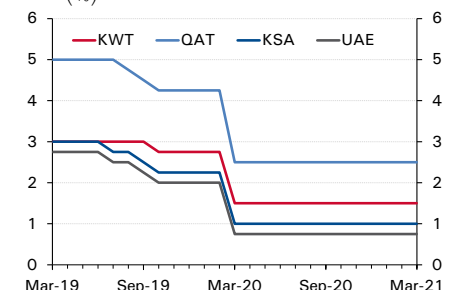
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv