

International and markets

US: Non-farm payrolls rose by 850,000 in June, beating consensus (703,000) and following a couple of months of softer performance. Private services led the way, including a strong 343,000 gain in leisure & hospitality amid further reopening progress. The unemployment rate however ticked up to 5.9% from 5.8% and is still well above pre-pandemic norms, while earnings growth slightly missed expectations at 0.3% m/m. Meanwhile the ISM manufacturing activity survey edged down to 60.6 in June but still pointed to robust growth led by new order books (66.0). Firms continue to point to supply constraints however with slowing supplier delivery times and employment contracting due to labor shortages. These pressures saw the output prices balance surge to 92.1, the highest since 1979.

China: The Caixin manufacturing PMI fell from 52 in May to 51.3 in June, the lowest reading in three months and below market estimates of 51.8. In addition, the NBS non-manufacturing PMI dropped to a four-month low of 53.5 in June (55.2 in May). The softer readings are due to supply chain issues and a recent increase in COVID-19 cases in an export-focused hub.

Financial markets: Equity markets were mostly positive with the MSCI AC World index up 0.7% w/w, lifted by the S&P500 (+1.7%), which closed at another all-time high. GCC markets were mixed but mostly positive (MSCI GCC +0.4%) lifted by strong gains in Abu Dhabi (4.9%) while the Kuwait All-Share lost 1.1%, possibly weighed down by renewed virus concerns.

Oil: Brent closed the week broadly unchanged (\$76.2/bbl, +47% YTD), trading at the highest level since October 2018. Despite extended discussions, OPEC+ has not reached an agreement yet on further increases in oil production starting August, with discussions now set to resume on Monday. The proposal to increase production by 400,000 b/d a month between August and December has been blocked by the UAE, which is insisting that its baseline production level be increased to its April 2020 level from the October 2018 one, which is currently in use.

MENA Region

Kuwait: The Minister of Finance announced that the size of the Future Generations Fund swelled by 33% in the fiscal year ending March 2021, with several estimates pointing out that its assets exceeded \$660 billion. The minister also mentioned that the General Reserve Fund was completely exhausted, forcing

the government to take various measures to keep fiscal stability intact. Meanwhile, the trade surplus widened to KD 1.6 billion from KD 0.8 billion in 4Q20 on a strong increase in exports (+30% q/q). Finally, after hitting an all-time high of 137% y/y in May on the back of favorable base effects, consumer spending growth decelerated to 49% in June as the base effect impact fades given that the easing of pandemic restrictions had started back in June 2020. Underlying spending remains solid.

Saudi Arabia: The Crown Prince launched the national strategy for transport and logistical services, which aims to improve transport services and enhance the country's position as a global logistics hub. The strategy targets to grow the GDP share of that sector from 6% in 2020 to 10% in 2030. Meanwhile, the unemployment rate among Saudis decreased from 12.6% in 4Q2020 to 11.7% in 1Q2021, but the participation rate dropped from 51.2% to 49.5% in the same period. Finally, credit growth remained strong in May, resulting in a 16.7% y/y expansion.

Egypt: The current account deficit widened to \$5.7 billion in 1Q21 from \$2.8 billion a year ago, as the tourism sector continued to suffer. In fact, tourism revenues plunged by 67% to \$3.1 billion in the first nine months of FY20/21. Meanwhile, remittances from Egyptians working abroad stood at \$7.8 billion in 1Q21, broadly unchanged compared with 1Q20.

Key takeaways:

- The acceleration in US jobs growth was positive for demand but also potentially a tentative sign that supply constraints are easing. Still, surveys indicate that labor shortages persist and many more months of strong growth are needed to recover the remaining near 7-million jobs lost to the pandemic.
- The Kuwaiti government's overall financial position is strong backed by the FGF financial buffer. However, financing the fiscal deficit remains a challenge especially given the expansionary budget for FY21/22. Approving a new debt law and accelerating the reform process should be priorities to avoid liquidity shortages and to put the fiscal position on a sustainable path.
- The unemployment rate among Saudis fell back to pre-Covid levels and on a higher participation rate. Things are even brighter when looking at the female unemployment rate, which dropped to the lowest level in 20 years despite a rising participation rate. The improving labor numbers reflect the economic recovery and ongoing reforms, while steadily higher female employment numbers will boost the country's potential GDP in the long term.

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



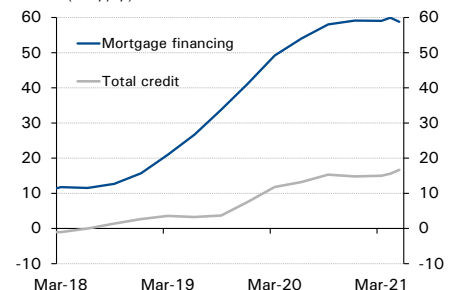
Source: Refinitiv

▶ **Chart 2: US unemployment rate** (%)



Source: Refinitiv

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



Source: SAMA

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	5,081	-3.0	-2.5
DAX	15,650	0.3	14.1
DJIA	34,786	1.0	13.7
Eurostoxx 50	4,084	-0.9	15.0
FTSE 100	7,123	-0.2	10.3
Nikkei 225	28,783	-1.0	4.9
S&P 500	4,352	1.7	15.9
Regional			
Abu Dhabi SM	6,899	4.9	36.7
Bahrain ASI	1,588	0.6	6.6
Dubai FM	2,817	-1.4	13.0
Egypt EGX 30	10,257	-0.2	-5.4
MSCI GCC	670	0.4	22.6
Kuwait SE	6,388	-1.1	15.2
KSA Tadawul	10,979	0.5	26.3
Muscat SM 30	4,079	0.8	11.5
Qatar Exchange	10,807	0.4	3.6

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.43	-9.3	51.9
Bunds 10 Year	-0.24	-7.9	34.0
Gilts 10 Year	0.70	-7.6	50.8
JGB 10 Year	0.04	-0.6	2.2
Regional			
Abu Dhabi 2022	0.31	-4.2	-19.3
Dubai 2022	0.27	0.0	7.4
Qatar 2022	0.28	1.7	-24.0
Kuwait 2022	0.25	-7.9	-21.2
KSA 2023	0.67	2.7	-4.3
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	76.2	0.0	47.0
KEC	75.5	1.2	49.0
WTI	75.2	1.5	54.9
Gold	1782.6	0.3	-5.8

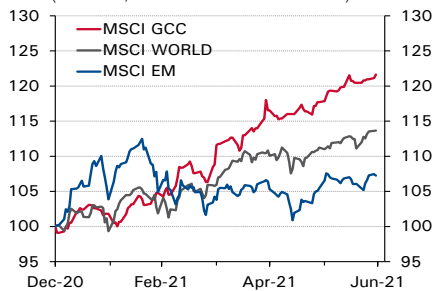
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.64	0.0	-60.8
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	0.97	-3.6	-15.5
Eibor - 3 month	0.39	-2.0	-12.4
Saibor - 3 month	0.79	0.0	-2.5
Libor - 3 month	0.14	-0.1	-9.4
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.301	0.0	-0.9
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.186	-0.6	-2.9
JPY per USD	111.0	0.2	7.6
USD per GBP	1.382	-0.4	1.1
EGP per USD	15.62	0.0	-0.4

Updated on 2/7/2021

Source: Refinitiv

International equity markets

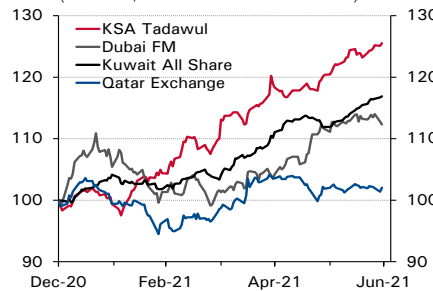
(rebased, 30 December 2020=100)



Source: Refinitiv

GCC equity markets

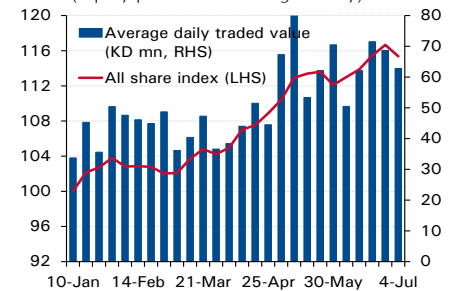
(rebased, 30 December 2020=100)



Source: Refinitiv

Bursa Kuwait

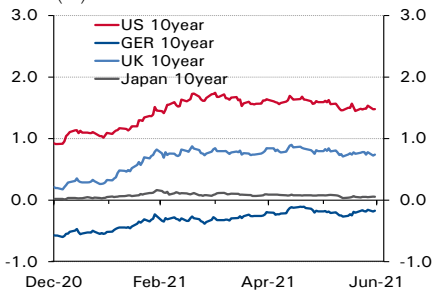
(equity prices and trading activity)



Source: Refinitiv

International bond yields

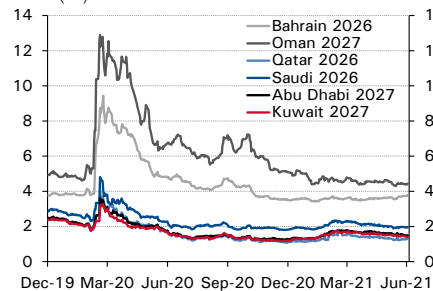
(%)



Source: Refinitiv

GCC bond yields

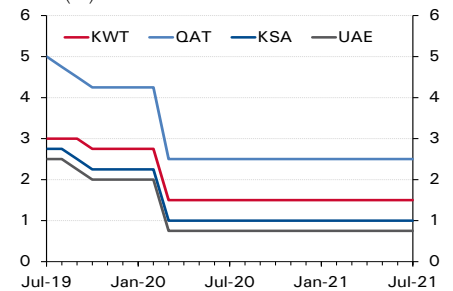
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv