

## International

**US:** GDP growth in 1Q19 reached an annualized 3.2%, up from 2.2% in 4Q18 and easily surpassing expectations of 2.3% (and below 1% earlier this year). Although growth in the important consumer sector roughly halved to 1.2%, this was more than offset by a surge in inventories (which could be temporary) and by stronger net exports, particularly due to weaker imports. Elsewhere, consumer sentiment edged down but remained very solid at 97.2 in April. There was also evidence of an improving housing market – a weak spot for the economy over the past year – with existing home sales falling just 4.9% m/m in March following February’s giant 11% gain, while new home sales rose 4.5% m/m. Both likely benefitted from falling mortgage rates.

**Financial markets:** Most global markets ended the week higher, with the MSCI AC World up 0.6% w/w after oil prices rallied and US GDP data surprised on the upside. Meanwhile, US 10-year treasury yields fell by 5 bps on the week to 2.50%, after weak inflation data overshadowed stronger economic growth figures.

**Oil:** Brent crude ended a volatile week up 0.3% w/w at \$72.2/bbl, initially boosted by the US terminating the six-month sanctions waivers granted to Iran’s largest oil importers before dropping on Friday by 3.0% d/d after President Trump demanded that OPEC bring prices down. Brent is so far up 34% year-to-date.

## MENA Region

**Kuwait:** Consumer price inflation rose to 0.8% y/y in March from 0.6% in February. However the rise was due to a base effect following a large drop one year ago and in fact prices fell 0.2% m/m. The rise in y/y inflation was mostly due to the food (1.0%) and housing (-0.6%) components, which both rose from February but remained soft overall. Indeed the housing segment – mostly rents – saw its first m/m drop in prices in a year despite signs that the broader property market is recovering from earlier weakness. This latest decline could reflect still-high vacancy rates in the apartment sector. Core inflation, which excludes food and housing, eased to 1.7% y/y from 2.0% in February.

**UAE:** Dubai’s economy is expected to grow by 2.1% in 2019 led by pro-growth policies, according to the latest government

forecasts. Growth in the emirate slid to an almost decade low of 1.9% in 2018, but the Dubai Expo 2020 event and a series of measures to improve the business climate and stimulate foreign investment are expected to help stimulate the economy. The Expo event is expected to generate an annual income of around 0.5% of GDP between 2013 and 2031.

**Saudi Arabia:** The kingdom recorded in 1Q19 its first fiscal surplus since 2014, of SR27.8bn (pro-rated 3% of GDP). This was on the back of a 48% y/y increase in revenues, while spending increased by 8%. The extent of the oil revenue increase is surprising because even though oil production was 1% y/y higher, oil prices were about 5% lower, suggesting a much greater transfer of Aramco oil revenues to the treasury than in 1Q18. Meanwhile, consumer price inflation was negative for the third consecutive month in March at -2.1% y/y, weighed down by deflation in the housing category (-8%).

**Egypt:** The referendum on major changes to the country’s constitution was won with 88.83% in favor of the vote on a turnout of 44%, allowing President Sisi to extend his current term until 2024 with a potential third term lasting until 2030. According to the authorities, the changes will allow the president to maintain stability and security, as well as to finalize economic reforms and major development projects.

**Financial markets:** GCC markets were mixed, but the MSCI GCC still ended the week up 1.1%, led by Abu Dhabi (+1.9%), Qatar (+1.0%) and Saudi (+0.9%), thanks to gains in financial shares and as oil prices rallied.

### Key takeaways:

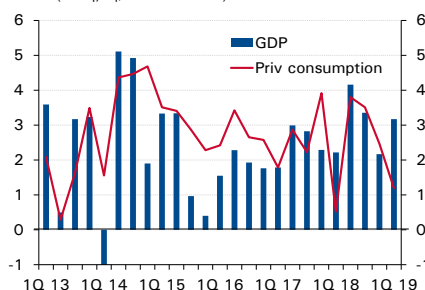
- The strong US GDP growth figure for 1Q19 – which came despite the government shutdown and amid trade war impact concerns – has eased earlier fears of a slowdown and could also revive expectations of a Fed rate hike later this year which until recently had seemed unlikely.
- Kuwait’s inflation has come in below expectations so far this year amid modest economic growth, a strong dinar and still declining housing rents. Although we expect inflation to drift slightly higher through 2019, another year of sub-1% average inflation is possible.
- Rising oil prices have left Saudi Arabia’s budget in a much-improved position, as reflected in the Q1 surplus. However with spending growth likely to accelerate in 2H19, we still expect a full-year deficit close to the 4.6% recorded last year.

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



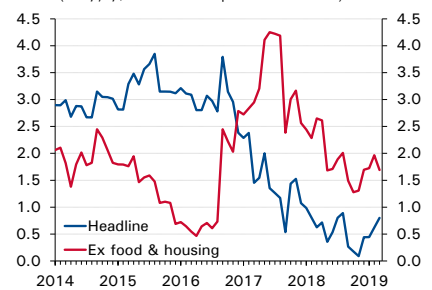
Source: Thomson Reuters Datastream

▶ **Chart 2: US GDP** (% q/q, annualized)



Source: Thomson Reuters Datastream

▶ **Chart 3: Kuwait inflation** (% y/y, consumer price inflation)



Source: Thomson Reuters Datastream / CSB / NBK

## Key data

| Stock markets        | Index  | Change (%) |      |
|----------------------|--------|------------|------|
|                      |        | 1-week     | YTD  |
| <b>International</b> |        |            |      |
| CSI 300              | 3,889  | -5.6       | 29.2 |
| DAX                  | 12,315 | 0.8        | 16.6 |
| DJIA                 | 26,543 | -0.1       | 13.8 |
| Eurostoxx 50         | 3,500  | 0.0        | 16.6 |
| FTSE 100             | 7,428  | -0.4       | 10.4 |
| Nikkei 225           | 22,259 | 0.3        | 11.2 |
| S&P 500              | 2,940  | 1.2        | 17.3 |
| <b>Regional</b>      |        |            |      |
| Abu Dhabi SM         | 5,392  | 1.9        | 9.7  |
| Bahrain ASI          | 1,442  | -0.3       | 7.8  |
| Dubai FM             | 2,787  | -0.9       | 10.2 |
| Egypt EGX 30         | 14,770 | -0.7       | 13.3 |
| S&P GCC 40           | 1,220  | 1.9        | 10.9 |
| Kuwait SE            | 5,706  | -1.7       | 12.3 |
| KSA Tadawul          | 9,276  | 0.9        | 18.5 |
| Muscat SM 30         | 3,940  | -1.0       | -8.9 |
| Qatar Exchange       | 10,451 | 1.0        | 1.5  |

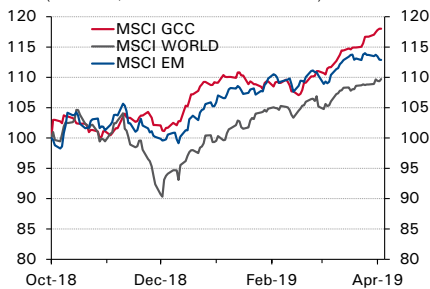
| Bond yields          | %       | Change (bps) |       |
|----------------------|---------|--------------|-------|
|                      |         | 1-week       | YTD   |
| <b>International</b> |         |              |       |
| UST 10 Year          | 2.50    | -5.4         | -18.7 |
| Bunds 10 Year        | -0.02   | -4.2         | -26.4 |
| Gilts 10 Year        | 1.14    | -5.4         | -12.6 |
| JGB 10 Year          | -0.04   | -2.0         | -4.6  |
| <b>Regional</b>      |         |              |       |
| Abu Dhabi 2022       | 2.81    | -10.8        | -48.8 |
| Dubai 2022           | 3.46    | -6.3         | -47.4 |
| Qatar 2022           | 2.96    | -4.4         | -48.8 |
| Kuwait 2022          | 2.89    | -3.5         | -42.8 |
| KSA 2023             | 3.25    | 6.7          | -62.5 |
| <b>Commodities</b>   |         |              |       |
|                      | \$/unit | Change (%)   |       |
|                      |         | 1-week       | YTD   |
| Brent crude          | 72.2    | 0.3          | 34.1  |
| KEC                  | 73.5    | 2.7          | 40.8  |
| WTI                  | 63.3    | -1.1         | 39.4  |
| Gold                 | 1284.9  | 1.0          | 0.5   |

| Interbank rates       | %     | Change (bps) |       |
|-----------------------|-------|--------------|-------|
|                       |       | 1-week       | YTD   |
| Bhivor - 3 month      | 3.57  | -1.7         | -38.3 |
| Kibor - 3 month       | 2.63  | -6.3         | 31.3  |
| Qibor - 3 month       | 2.90  | 2.3          | -0.4  |
| Eibor - 3 month       | 2.79  | -4.4         | -5.2  |
| Saibor - 3 month      | 2.86  | 0.1          | -11.9 |
| Libor - 3 month       | 2.58  | 0.1          | -22.5 |
| <b>Exchange rates</b> |       |              |       |
|                       | rate  | Change (%)   |       |
|                       |       | 1-week       | YTD   |
| KWD per USD           | 0.304 | 0.1          | 0.3   |
| KWD per EUR           | 0.339 | -0.6         | -2.6  |
| USD per EUR           | 1.115 | -0.9         | -2.8  |
| JPY per USD           | 111.6 | -0.3         | 1.8   |
| GBP per USD           | 1.292 | -0.5         | 1.3   |
| EGP per USD           | 17.12 | -0.2         | -4.1  |

Updated on 26/4/2019 Source: Thomson Reuters Eikon

### International equity markets

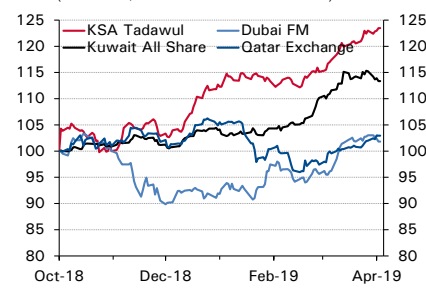
(rebased, 24 October 2018=100)



Source: Thomson Reuters Datastream

### GCC equity markets

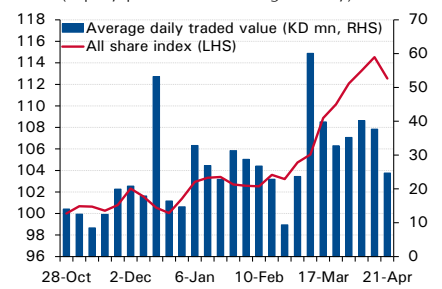
(rebased, 24 October 2018=100)



Source: Thomson Reuters Datastream

### Boursa Kuwait

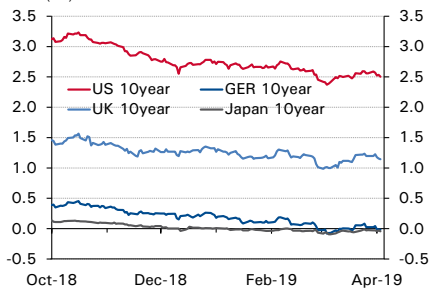
(equity prices and trading activity)



Source: Thomson Reuters Datastream

### International bond yields

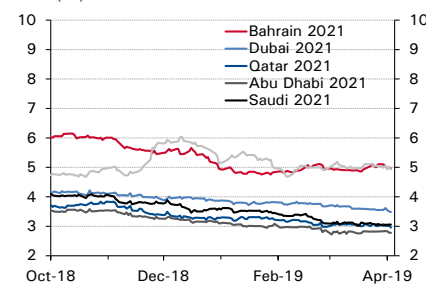
(%)



Source: Thomson Reuters Datastream

### GCC bond yields

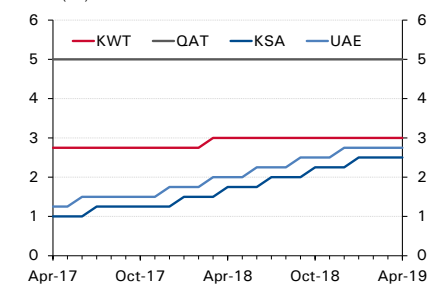
(%)



Source: Thomson Reuters Datastream

### GCC key policy rates

(%)



Source: Thomson Reuters Datastream