

International and markets

US: The unemployment rate edged down to 6.2% in February from 6.3% in January as non-farm payrolls rose by a better-than-expected 379,000 in February, of which 355,000 were in the previously hard-hit hospitality sector—a further sign of the economic recovery as vaccination proceeds. Meanwhile, the massive \$1.9trn fiscal stimulus proposal moved a step closer to approval following a Senate approval with some relatively minor amendments. The House will aim to pass it by mid-March. Fed chairman Powell said the Fed will remain 'patient' in withdrawing policy support, reiterating his belief that any rise in inflation would be transitory.

China: Following successful containment of the pandemic, China is targeting at least 6% growth this year, lower than the IMF's projection of about 8%. It plans to add more than 11 million jobs this year.

UK: Chancellor Rishi Sunak's budget offered further near-term economic support while postponing the issue of large fiscal deficits for the future. Tax rises will include a freeze on the personal tax allowances in 2022 and a rise in corporation tax to 25% in 2023 from the current 19%. The fiscal deficit will reach 17% of GDP this year before narrowing to 3% by FY25/26, while debt will peak at 110% of GDP in FY23/24.

Financial markets: Global markets were mostly positive as investors bought into the previous dip, which was influenced by surging bond yields. The MSCI AC world gained 0.5% w/w, led by the DJIA (1.8%). 10-year US treasury yields eased to 1.55% from a one-year high of 1.6%. GCC markets mostly tracked their global counterparts upwards, supported by higher oil prices: Abu Dhabi (1.2%) and Dubai (1.7%), but Kuwait's All-Share was little changed (0.1%).

Oil: Brent futures surged more than 8% to close at \$69.4/bbl (+4.9% w/w; 33.9% ytd) on Friday after OPEC+ wrong-footed the markets by opting to largely roll over its 8 mb/d of crude production cuts in April. Russia and Kazakhstan were permitted to increase output by a combined 150 kb/d.

MENA Region

Kuwait: Real GDP declined by 11.5% y/y (+1.2% q/q) in 3Q20, moderating from 2Q20's contraction of 13.4% y/y, CSB data showed. Oil and non-oil sector output fell by 14.8% y/y and 7.8% y/y, respectively, in 3Q20, the former due to Kuwait's

participation in OPEC+ production cuts and the latter on the back of declines in manufacturing, services (including real estate) and finance. Public administration, the largest non-oil component, however, expanded by 3.9% y/y in 3Q20. In February, consumer spending (Knet) grew by 19.8% y/y to KD 1.95bn, mainly through online purchases (+112.7% y/y). Early pronouncements by MPs suggest that the national assembly will most likely reject the government's proposal to tap the FFFG for KD5bn each year. However, an amended debt law proposal will likely be approved (i.e. no repayment period specification, debt ceiling of 60% of GDP).

Saudi Arabia: KSA became the first GCC country to issue Euro-denominated negative-yielding bonds, selling €1bn of 3-yr maturity bonds at -0.06% and a €0.5bn 9-yr bond at 0.6%.

Egypt: Egypt continued to attract foreign capital given its relatively high real interest rate and ongoing economic recovery. Foreign purchases of Egyptian debt reached a historic high of \$28.5bn in February (from a low of \$10.4bn in May 2020 during the pandemic crisis). Business activity surveys signaled a slower pace of decline in February, with the PMI hitting a three-month high of 49.3 from 48.7.

Key takeaways:

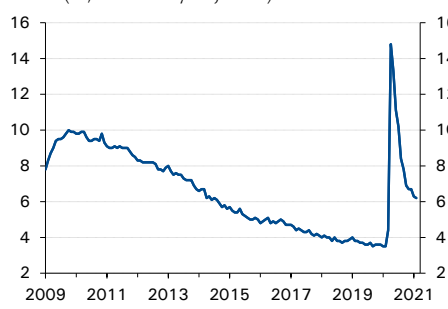
- The US fiscal stimulus package worth 9% of GDP is edging closer to approval and will provide a huge economic boost over coming months, just as virus restrictions ease. However, there are growing fears that loose policy, fiscal stimulus and a reopening economy will lead to price pressures later this year.
- The Fed is playing down the risk of a rise in US inflation, but a further disorderly rise in US bond yields would still be a worry. A faster pace of QE could help contain yields, but may also push up inflation expectations, pressuring yields further. Careful management will be required over the coming months to maintain effective control of the market.
- The cautious, Saudi-inspired OPEC+ rollover of output cuts prioritizes the rapid drawdown of global crude stocks amid recovering but still uncertain oil demand. It is the most bullish outcome for oil prices, leading to a raft of oil price upgrades for 2021, but has stoked fears in some circles of market undersupply/overheating.
- Kuwait's GDP in 2020 will likely come in lower than initially projected (-6%) as the recent GDP release reveals the extent of the decline in economic activity, especially in 2Q20, due to the pandemic and despite an expected q/q improvement in 4Q20.

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



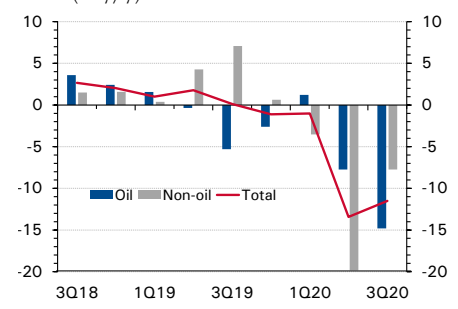
Source: Refinitiv

▶ **Chart 2: US unemployment** (% , seasonally adjusted)



Source: Refinitiv

▶ **Chart 3: Kuwait GDP** (% y/y)



Source: CSB

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	5,263	-1.4	1.0
DAX	13,921	1.0	1.5
DJIA	31,496	1.8	2.9
Eurostoxx 50	3,670	0.9	3.3
FTSE 100	6,631	2.3	2.6
Nikkei 225	28,864	-0.4	5.2
S&P 500	3,842	0.8	2.3
Regional			
Abu Dhabi SM	5,693	1.2	12.8
Bahrain ASI	1,473	0.6	-1.1
Dubai FM	2,569	1.7	3.1
Egypt EGX 30	11,334	-2.4	4.5
MSCI GCC	577	-0.2	5.5
Kuwait SE	5,653	0.1	1.9
KSA Tadawul	9,242	0.5	6.4
Muscat SM 30	3,653	1.4	-0.2
Qatar Exchange	10,004	-1.2	-4.1

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.55	9.8	64.2
Bunds 10 Year	-0.30	-4.7	27.1
Gilts 10 Year	0.76	-6.6	56.2
JGB 10 Year	0.09	-7.5	6.9
Regional			
Abu Dhabi 2022	0.51	8.6	1.1
Dubai 2022	0.81	-25.2	61.4
Qatar 2022	0.57	-1.4	5.1
Kuwait 2022	1.18	34.8	72.3
KSA 2023	0.86	0.1	14.3
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	69.4	4.9	33.9
KEC	67.1	3.4	32.4
WTI	66.1	7.5	36.2
Gold	1698.0	-1.7	-10.3

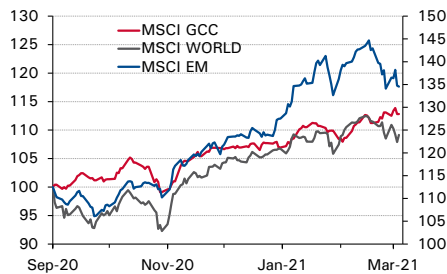
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	1.94	-3.3	-30.8
Kibor - 3 month	1.50	6.3	6.3
Qibor - 3 month	0.95	-1.9	-17.0
Eibor - 3 month	0.33	2.0	-18.1
Saibor - 3 month	0.80	-0.3	-2.0
Libor - 3 month	0.18	-1.5	-6.3
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	0.1	-0.3
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.192	-1.3	-2.4
JPY per USD	108.3	1.7	4.9
USD per GBP	1.384	-0.7	1.2
EGP per USD	15.65	0.0	-0.3

Updated on 5/3/2021

Source: Refinitiv

International equity markets

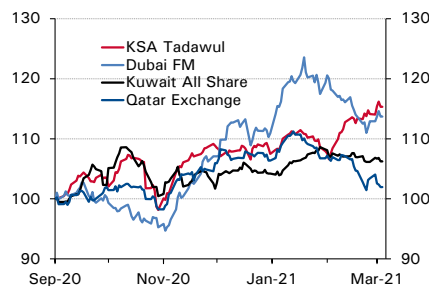
(rebased, 2 September 2020=100)



Source: Refinitiv

GCC equity markets

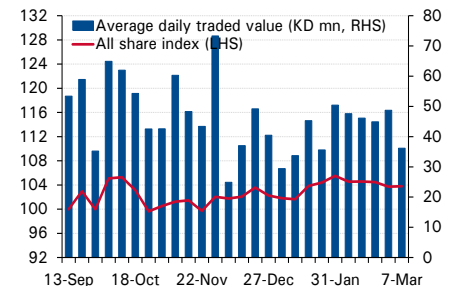
(rebased, 2 September 2020=100)



Source: Refinitiv

Boursa Kuwait

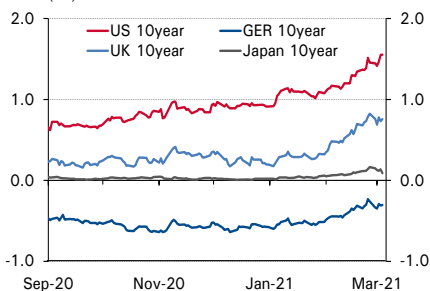
(equity prices and trading activity)



Source: Refinitiv

International bond yields

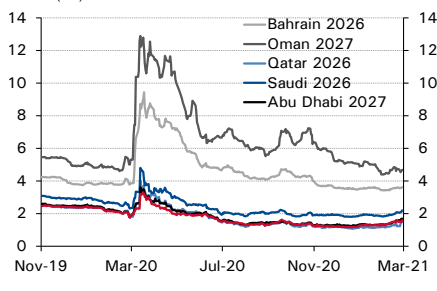
(%)



Source: Refinitiv

GCC bond yields

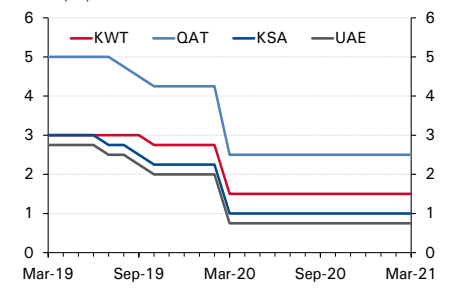
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv