

### International

**US:** While riots on Capitol Hill left the Congressional Democrats initiating a new impeachment process that would remove President Trump from office with just 10 days of his term remaining, President-elect Joe Biden said he would seek a new stimulus package "in the trillions" to counter a fading economic recovery and new restriction measures. The move was given impetus by data showing non-farm payrolls falling a greater-than-expected 140,000 in December with job losses focused on the service sector, though unemployment held steady at 6.7% having declined for seven successive months. However, ISM activity survey data for December was encouraging, with the manufacturing (60.7) and services (57.2) sector indices both rising further boosted by strong order books, though employment was still sluggish.

**Financial markets:** Global equity markets rallied on hopes of additional US stimulus, despite civil unrest in the US capital. The MSCI AC World index rose 2.7% w/w, led by emerging markets (5.1%), while the Euro Stoxx 50 gained a solid 2.6%. US stock reached all-time highs with the S&P500 up 1.8% w/w. The 10-year treasury yield surged 20 bps w/w to 1.11%, the highest since March amid improved market confidence.

**Oil:** Oil prices surged to 11-month highs, with Brent rallying to \$55.99/bbl (+8.1% mtd) by Friday's close on US stimulus and vaccine rollout hopes, but the rally's major catalyst was Tuesday's OPEC+ announcement that Saudi Arabia would unilaterally cut its production by 1 mb/d in February and March. A larger than expected decline in US crude stocks (-8 mb to 485.5 mb) also helped stoke bullish sentiment.

### MENA Region

**GCC:** After three and a half years of severed relations, a reconciliation between Qatar and its neighbors was agreed in the recent GCC summit in Saudi Arabia.

**Kuwait:** Domestic credit increased by 4.7% y/y in November on stronger lending to both businesses (5%) and households (6.3%). Meanwhile, according to Knet data, consumer spending growth accelerated by 25.9% y/y, recording the highest spending of KD 2.1 billion. This increase is due mainly to larger spending at home during the holiday season amid strict travel restrictions. Finally, inflation ticked up in November to 2.8% y/y, the third consecutive month of acceleration. Food price inflation (+9.8% y/y; +1.4% m/m) accounted for more than

half of the increase, while the housing services index was flat for the sixth month in a row.

**Saudi Arabia:** The PMI increased to 57 in December (highest level since November 2019), indicating growth acceleration for the non-oil sector for the fourth month in a row. Meanwhile, the value of POS transactions soared by 41% w/w to SAR 10.7 billion (for the week of New Year holidays ending 02 January 2021), which is a record-high level since weekly POS data started being published in May 2020.

**UAE:** The PMI rose to 51.2 in December from 49.5 in November, as output witnessed a solid rise underpinned by rising new orders amid improving demand. Dubai has announced another stimulus package of AED315 million, making the total amount of stimulus AED7.1 billion since the crisis began.

**Egypt:** After three consecutive months above 50, the PMI returned to contractionary territory, indicating some weakness in the recovery of the non-oil private sector. The PMI fell from 50.9 in November to 48.2 in December, pushing the average reading in 4Q20 to 50.2, which is still the highest quarterly average since 3Q15. In this context, Egypt's foreign reserves rose by \$841 million to \$40.1 billion in December.

**Financial markets:** GCC stocks tracked their global peers higher, lifted by surging oil prices following Saudi Arabia's decision to cut its oil production. Sentiment was also helped by the Saudi - Qatar reconciliation, ending a three-year rift.

#### Key takeaways:

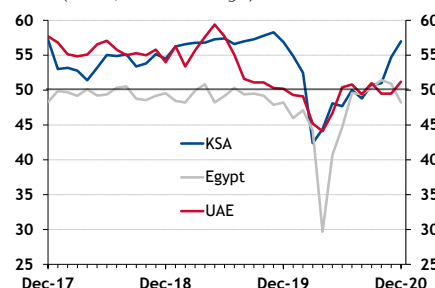
- Weak US jobs data and the Democrats' election win in Georgia, which gave them control of the Senate, have lifted the chance of fresh stimulus early in Biden's Presidency. Together with the rollout of the vaccine, this could pave the way for much-improved growth prospects later this year.
- The Saudi oil production cut was framed as a preemptive move to head off any oil demand weakness in 1Q21. It is well-judged in light of the return to mobility restrictions in major economies.
- The Saudi's non-oil economy ended 2020 on a strong footing. This is due to the success in controlling the virus, quick and well-targeted stimulus measures and the country's more vibrant and diversified non-oil sector
- The end of the dispute between Qatar and its neighbors is a positive development for the region. The economic impact of this reconciliation could be limited but still would translate into more trade and people's movement across borders.

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



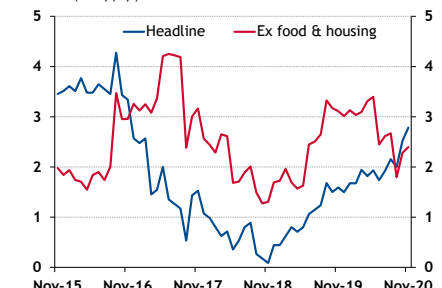
Source: Refinitiv

▶ **Chart 2: MENA region PMIs** (Index, 50=no change)



Source: IHS Markit

▶ **Chart 3: Kuwait's inflation** (% y/y)



Source: CSB

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	5,495	5.5	5.5
DAX	14,050	2.4	2.4
DJIA	31,098	1.6	1.6
Eurostoxx 50	3,645	2.6	2.6
FTSE 100	6,873	6.4	6.4
Nikkei 225	28,139	2.5	2.5
S&P 500	3,825	1.8	1.8
<b>Regional</b>			
Abu Dhabi SM	5,164	2.3	2.3
Bahrain ASI	1,451	-2.6	-2.6
Dubai FM	2,626	5.4	5.4
Egypt EGX 30	10,952	1.0	1.0
MSCI GCC	555	1.5	1.5
Kuwait SE	5,537	-0.2	-0.2
KSA Tadawul	8,737	0.5	0.5
Muscat SM 30	3,699	1.1	1.1
Qatar Exchange	10,678	2.3	2.3

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.11	19.5	19.5
Bunds 10 Year	-0.52	6.0	6.0
Gilts 10 Year	0.29	9.6	9.6
JGB 10 Year	0.04	1.5	1.5
<b>Regional</b>			
Abu Dhabi 2022	0.56	6.2	6.2
Dubai 2022	0.79	59.1	59.1
Qatar 2022	0.57	5.1	5.1
Kuwait 2022	0.65	18.9	18.9
KSA 2023	0.74	1.9	1.9
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	56.0	8.1	8.1
KEC	54.8	n/a	8.3
WTI	52.2	7.7	7.7
Gold	1834.1	-3.1	-3.1

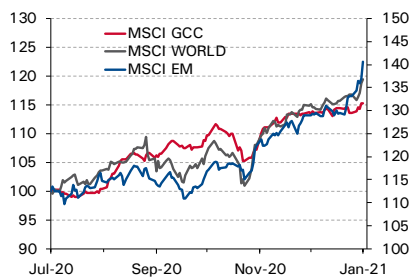
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.25	0.0	0.0
Kibor - 3 month	1.44	0.0	0.0
Qibor - 3 month	0.97	-15.1	-15.1
Eibor - 3 month	0.42	-8.8	-8.8
Saibor - 3 month	0.82	0.0	0.0
Libor - 3 month	0.22	-1.4	-1.4
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	-0.2	-0.2
KWD per EUR	0.363	0.0	0.0
USD per EUR	1.222	0.0	0.0
JPY per USD	103.9	0.7	0.7
USD per GBP	1.356	-0.8	-0.8
EGP per USD	15.65	-0.3	-0.3

Updated on 8/1/2021

Source: Refinitiv

### International equity markets

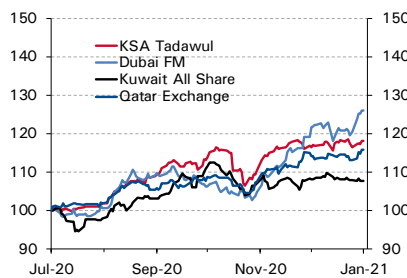
(rebased, 8 July 2020=100)



Source: Refinitiv

### GCC equity markets

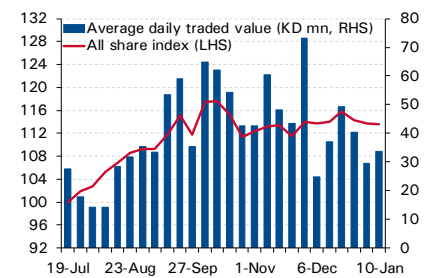
(rebased, 8 July 2020=100)



Source: Refinitiv

### Boursa Kuwait

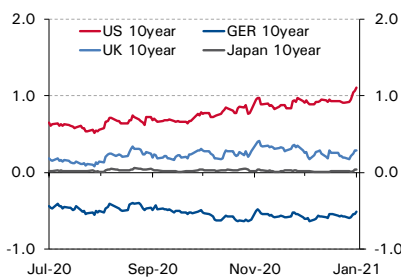
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

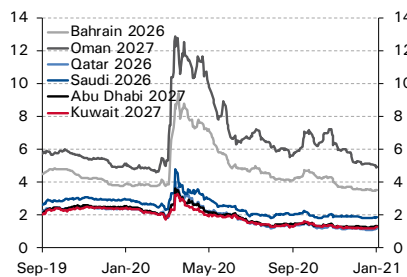
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Source: Refinitiv

### GCC bond yields

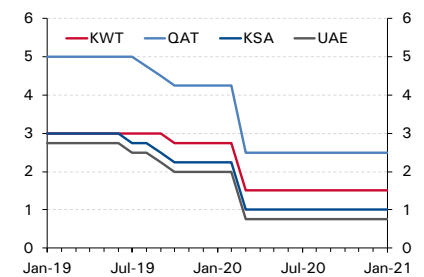
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv