

### International

**US:** After months of fractious negotiations, the Congress passed a \$900 billion pandemic relief program, in addition to a \$1.4 trillion spending bill that will keep the government funded until late 2021. The relief included \$600 checks to individuals, \$300 enhancement to weekly unemployment benefits, \$284 billion in new PPP loans, among other benefits. Surprisingly, President Trump criticized the bill, demanding check amounts be increased to \$2,000 (a demand that was later voted down by House GOPs) and has not signed it into law yet. Meanwhile initial jobless claims dropped to 803,000 in the w/e December 19 from a revised 892,000 in the prior week. Finally, existing home sales decreased 2.5% m/m in November, after increasing in the previous five months, hitting an all-time high in October.

**UK:** A post-Brexit trade deal with the EU has finally been reached, just days before the transition period ends on December 31. The deal, which still needs to be approved by all EU states and ratified by both the UK and EU parliaments, calls for zero tariffs and quotas. Meanwhile, a more contagious variant of the Covid-19 virus has been spreading fast in the UK (and now confirmed to have spread to other countries) leading to the widening of lockdown measures and prompting many countries to either ban UK arrivals or even close down their international borders, such as Kuwait, KSA, and Oman.

**Financial markets:** Global equity markets were mostly negative amid renewed virus concerns and stimulus uncertainty. The MSCI AC world lost 0.3% w/w led by emerging markets (MSCI EM -0.8%), while the S&P500 lost a modest 0.2%. The US benchmark yield lost 2 bps w/w to 0.93%.

**Oil:** Brent closed slightly up on Thursday (\$51.3/bbl) but was down 0.4% w/w as it looked like down-to-the-wire Brexit negotiations were finally yielding a break-through and as hopes grew over the passage of the US fiscal relief package. More generally, demand concerns continued to weigh on sentiment as fears of a more infectious strain of Covid-19 forced many countries, especially in Europe, to restrict air travel.

### MENA Region

**Kuwait:** The fiscal deficit reached KD 4.8 billion in the first eight months of FY2020/21 as oil revenues decreased by around 50% to stand at KD 5.3 billion. Total spending dropped by around 10% to KD 10.9 billion as current spending fell 8.7% while capital spending decreased by 24%.

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



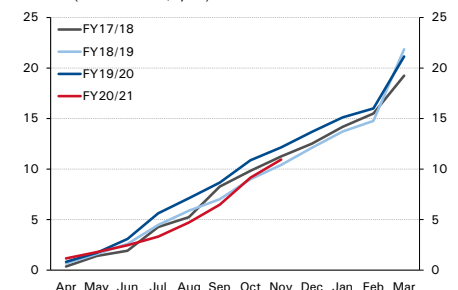
Source: Refinitiv

▶ **Chart 2: US existing home sales** (millions, annual rate)



Source: Refinitiv

▶ **Chart 3: Kuwait gov. spending** (KD billions, ytd)



Source: Ministry of Finance

**Saudi Arabia:** The Ministry of Human Resources and Social Development decided to Saudize the accountancy profession, targeting to create, initially, around 10,000 jobs for Saudis. This comes in line with the government's strategy and additional professions are expected to follow in 2021. Meanwhile, SAMA increased the size of its weekly bill offering from SAR 3 billion to 10 billion to help banks manage their liquidity, which has increased recently, partly driven by SAMA's support initiatives that included providing banks with interest-free deposits.

**Oman:** The government will start cutting power and water subsidies in January 2021, in line with the initiatives outlined in the medium term fiscal plan. Initially, households earning more than \$3,260 per month will not be entitled to a subsidy, and by 2025, all utility subsidies are planned to be phased out.

**Egypt:** After cutting its policy rates by a cumulative 400 basis points this year, the CBE left its rates unchanged in its latest meeting on December 24. As inflation remains low (+5.7% y/y), the CBE dropped its inflation target to 7% (±2%) for 4Q22, down from 9% (±3%) currently.

**Financial markets:** GCC equities were little changed as investors weighed higher oil prices and recovery prospects against virus concerns. Kuwait's index fell 1.3% w/w on renewed travel restrictions.

#### Key takeaways:

- The fate of the bill in the US is unclear. A new high majority vote would override a possible veto by president Trump. Without a relief program, the US economy will start 2021 on a very weak footing. It is very likely that a third relief program will be needed after president elect Biden takes office.
- The UK-EU trade deal has averted the worst-case scenario. However, it will likely take months before both parties (esp. the UK) realize the full impact of that deal. While zero tariffs and quotas is a positive, given the UK's service-focused economy, the deal does not say much about trading in services.
- The fiscal deficit so far this year in Kuwait is lower than expected due to timing issues in recording transactions. With the expected pick-up in spending toward the end of year, we forecast the deficit to be close to KD 10 billion for the full year.
- The decision of the CBE to keep key interest rates unchanged may have been motivated by the desire to maintain the real rates high to attract foreign capital while anchoring inflation expectations to keep the inflation rate within the new set target.

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	5,042	0.8	23.1
DAX	13,587	-0.3	2.6
DJIA	30,200	0.1	5.8
Eurostoxx 50	3,543	-0.1	-5.4
FTSE 100	6,502	-0.4	-13.8
Nikkei 225	26,657	-0.4	12.7
S&P 500	3,703	-0.2	14.6
<b>Regional</b>			
Abu Dhabi SM	5,126	-0.2	1.0
Bahrain ASI	1,493	0.0	-7.3
Dubai FM	2,528	-0.9	-8.6
Egypt EGX 30	10,684	-1.5	-23.5
MSCI GCC	551	0.1	-2.9
Kuwait SE	5,569	-1.3	-11.4
KSA Tadawul	8,703	-0.1	3.7
Muscat SM 30	3,600	-0.4	-9.6
Qatar Exchange	10,538	0.6	1.1

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	0.93	-1.8	-98.0
Bunds 10 Year	-0.54	2.9	-35.5
Gilts 10 Year	0.26	0.7	-56.8
JGB 10 Year	0.02	1.0	4.2
<b>Regional</b>			
Abu Dhabi 2022	0.53	-3.7	-151.7
Dubai 2022	0.39	-18.4	-207.4
Qatar 2022	0.47	-2.0	-159.8
Kuwait 2022	0.50	5.3	-156.7
KSA 2023	0.70	0.5	-159.9

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.25	0.0	-41.7
Kibor - 3 month	1.44	0.0	-131.3
Qibor - 3 month	0.96	-30.4	-128.8
Eibor - 3 month	0.43	0.0	-177.6
Saibor - 3 month	0.82	-0.1	-141.3
Libor - 3 month	0.24	0.2	-166.8

Commodities	\$/unit	Change (%)	
		1-week	YTD
Brent crude	51.3	-1.9	-22.3
KEC	50.9	-0.4	-25.6
WTI	48.2	-1.8	-21.0
Gold	1879.9	-0.3	23.7

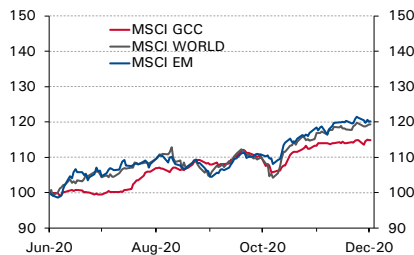
Exchange rates	rate	Change (%)	
		1-week	YTD
KWD per USD	0.305	0.4	0.8
KWD per EUR	0.363	0.0	9.1
USD per EUR	1.220	-0.4	8.9
JPY per USD	103.5	0.2	-4.7
USD per GBP	1.355	0.2	2.2
EGP per USD	15.64	-0.1	-2.3

Updated on 25/12/2020

Source: Refinitiv

### International equity markets

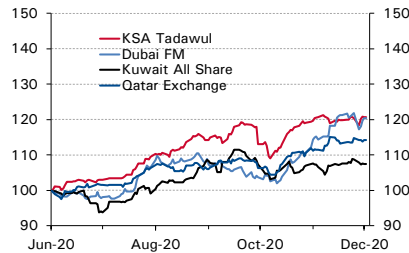
(rebased, 24 June 2020=100)



Source: Refinitiv

### GCC equity markets

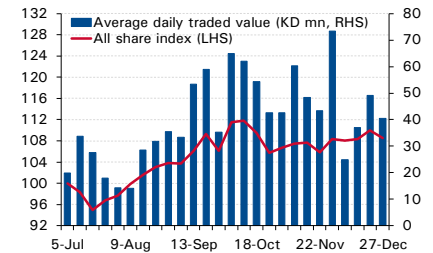
(rebased, 24 June 2020=100)



Source: Refinitiv

### Boursa Kuwait

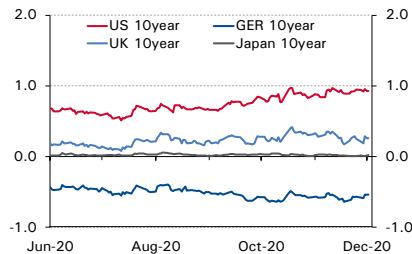
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

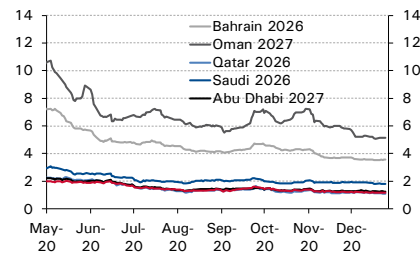
(%)



Source: Refinitiv

### GCC bond yields

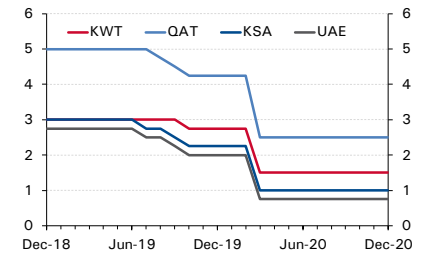
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv