

### International

**US:** Initial jobless claims rose a much larger than expected 853,000 in the week ending December 5, a sign that record high virus cases and renewed business restrictions are weighing on the economic recovery. Continuing claims (released with a one-week lag) also rose for the first time since August, pushing the insured unemployment rate to 3.9% from 3.8% a week earlier. Elsewhere, consumer price inflation was steady at 1.2% y/y in November, while the core rate was also unchanged at a higher 1.6%. But there were signs of life in previously weak airfares (+3.5% m/m) and lodgings away from home (+3.9%).

**Europe:** The European Central Bank increased the size of its PEPP bond purchase program by €0.5 trillion to €1.85 trillion and extended its duration by nine months to at least March 2022 in order to support the economic recovery. The bank also cut its forecasts for GDP growth in 2021 to 3.9% from 5.0% before (and an upwardly revised -7.3% this year), while inflation in 2021 was left at 1.0% – well below target. Meanwhile, the EU and UK say that a decision on whether to continue with post-transition period trade talks will be made today, with both sides now saying that 'no deal' is now the most likely outcome. The EU did however finally sign off on a €1.8 trillion seven-year budget and recovery fund, which also allows it to issue €750 billion in debt and disperse the money to members as grants.

**Financial markets:** Global equity markets were mostly negative amid ongoing US stimulus talks, weaker than expected US jobs data and rising virus cases. The S&P500 lost 1% w/w while the Euro Stoxx 50 fell 1.5%. The yield on 10-year treasuries fell 8 bps w/w to 0.89%.

**Oil:** Brent crude oil prices gained for the sixth consecutive week, closing up 1.5% w/w at \$49.97/bbl. Vaccine optimism continues to be the main driving force, alongside signs that gasoline and diesel consumption is recovering in Asia and Latin America. But US demand remains pandemic-stricken, with crude inventories rising by a sizeable 15 mb to 503 mb in last week's EIA release as rising coronavirus infections continue to break daily records.

### MENA Region

**Kuwait:** Bank credit eased to 4.1% y/y in October as household lending started normalizing (6.1%) after three months of high growth while business lending (3.9%) remained under pressure. Meanwhile, consumer spending growth decelerated from 19.1% y/y in October to 14.6% in November, as installments resumed

in October and the boost from pent-up demand faded. Also, the government's fiscal deficit stood at KD1.9 billion in 1H FY20/21 (April-September). Revenues plunged 48% to KD4.6 billion, while spending fell 25% to KD6.5 billion. Consumer price inflation rose for the sixth month in a row in November, to 2.5% y/y due to across-the-board price rises, but especially in food (+8.4%). Finally, the external current account surplus narrowed in 2Q20 to KD0.1 billion compared with a revised surplus of KD 0.2 billion in Q1. The fall was mainly due to a smaller trade surplus and despite a 22% q/q decline in workers' remittances.

**Saudi Arabia:** The Minister of Finance mentioned that GDP is now estimated to fall by 3.2% in 2020, compared to the authorities' previous estimate of -3.8%, highlighting the country's rapid response to contain the crisis and commending the effectiveness of the policies taken.

**Egypt:** Inflation accelerated to 5.7% y/y in November from 4.5% in October, driven mainly by an increase in the food & beverages category to 3.7%. Core inflation also edged higher to 4% from 3.9% in October. Meanwhile, the budget deficit stood at 2.1% of GDP during the first quarter of in the FY20/21 (July – September), compared to a deficit of 2.3% of GDP a year ago.

**Financial markets:** GCC equities were mixed but slightly positive overall. The MSCI GCC rose 0.1% w/w, lifted by solid gains in Dubai (5.3%) and Abu Dhabi (2.9%), supported by the affirmation of the UAE's sovereign rating at Aa2 by rating agency Moody's, making it the highest rated sovereign in the region. Kuwait's All-Share meanwhile rose a modest 0.3% w/w.

#### Key takeaways:

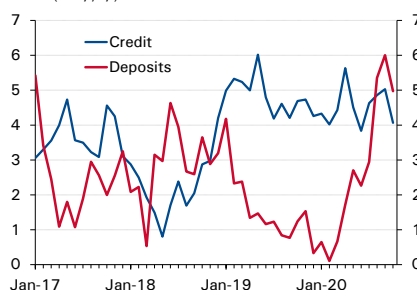
- The US Fed meets this week and will be discouraged by stubbornly low inflation and the rise in jobless claims. However with a virus vaccination program about to start, the Fed may hold off on additional stimulus unless and until there are clearer signs of economic deterioration.
- The initial boost to consumer spending in Kuwait from pent up demand and loan repayment deferrals is now fading. Given the disruptions this year, spending could still pick up a bit in 2021, but sluggish wage growth, challenging employment conditions and expat departures will weigh on the outlook.
- Although Egypt's inflation rate rose in November, it remains below the central bank's target of 6-12%. The bank may consider cutting interest rates to boost economic growth at its December 24 meeting, though will move cautiously to avoid capital outflows.

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



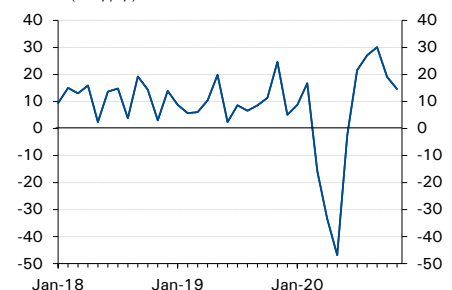
Source: Refinitiv

▶ **Chart 2: Kuwait bank credit** (% y/y)



Source: Refinitiv

▶ **Chart 3: Kuwait consumer spending** (% y/y)



Source: Knet

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,890	-3.5	19.4
DAX	13,114	-1.4	-1.0
DJIA	30,046	-0.6	5.3
Eurostoxx 50	3,486	-1.5	-6.9
FTSE 100	6,547	-0.1	-13.2
Nikkei 225	26,653	-0.4	12.7
S&P 500	3,663	-1.0	13.4
<b>Regional</b>			
Abu Dhabi SM	5,109	2.9	0.7
Bahrain ASI	1,490	-0.4	-7.4
Dubai FM	2,547	5.3	-7.9
Egypt EGX 30	10,987	-0.3	-21.3
MSCI GCC	547	0.1	-3.6
Kuwait SE	5,560	0.3	-11.5
KSA Tadawul	8,644	-0.4	3.0
Muscat SM 30	3,607	-0.9	-9.4
Qatar Exchange	10,446	-0.2	0.2

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	0.89	-7.8	-101.9
Bunds 10 Year	-0.64	-9.7	-45.1
Gilts 10 Year	0.17	-17.8	-65.1
JGB 10 Year	0.01	-0.7	3.6
<b>Regional</b>			
Abu Dhabi 2022	0.56	-2.2	-148.1
Dubai 2022	0.79	8.3	-168.1
Qatar 2022	0.49	-7.3	-157.2
Kuwait 2022	0.57	-3.0	-149.8
KSA 2023	0.77	-7.3	-153.0
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	50.0	1.5	-24.3
KEC	50.1	2.6	-26.8
WTI	46.6	0.7	-23.7
Gold	1839.8	0.2	21.1

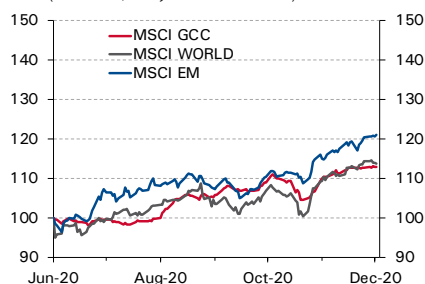
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.25	0.0	-41.7
Kibor - 3 month	1.44	0.0	-131.3
Qibor - 3 month	1.14	-0.8	-111.2
Eibor - 3 month	0.46	12.8	-174.9
Saibor - 3 month	0.83	-0.1	-140.4
Libor - 3 month	0.22	-0.6	-168.9
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.305	0.3	0.7
KWD per EUR	0.363	0.0	9.1
USD per EUR	1.211	-0.1	8.0
JPY per USD	104.0	-0.1	-4.2
USD per GBP	1.322	-1.6	-0.3
EGP per USD	15.66	0.3	-2.1

Updated on 11/12/2020

Source: Refinitiv

### International equity markets

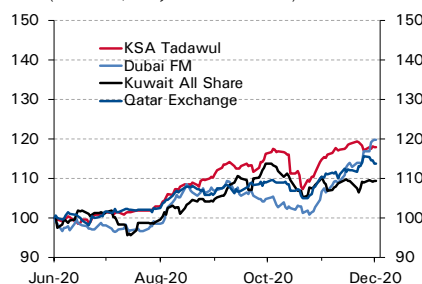
(rebased, 10 June 2020=100)



Source: Refinitiv

### GCC equity markets

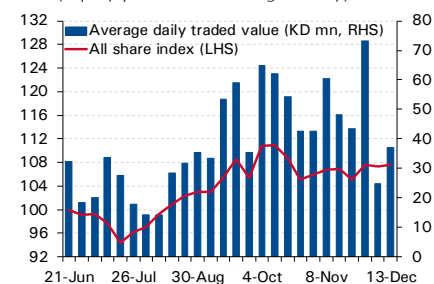
(rebased, 10 June 2020=100)



Source: Refinitiv

### Boursa Kuwait

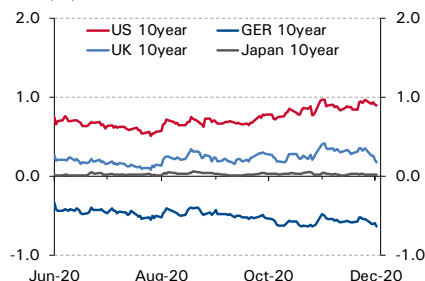
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

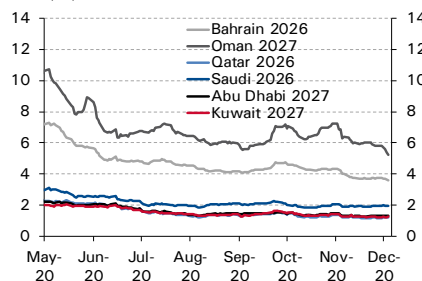
(%)



Source: Refinitiv

### GCC bond yields

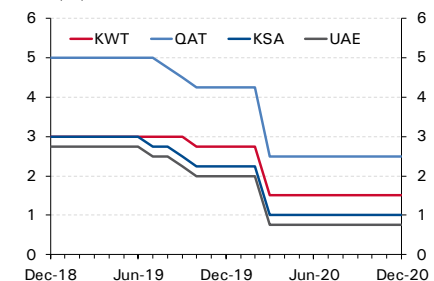
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv