

International and markets

US: GDP growth in Q1 was confirmed at 6.4% (annualized), driven in particular by a robust, stimulus-fueled (and upwardly revised) 11.3% surge in private consumption expenditures (PCE). Worries about a pick-up in price pressures due to economic strength were reinforced by a jump in core PCE inflation, the Fed's preferred price gauge, from 1.9% y/y in March to a 29-year high of 3.1% in April (headline rate 3.6%). The Fed continues to see these upward pressures as mostly transitory, though. Consumer spending rose by a below-consensus but still solid 0.5% m/m in April, with spending on services (+1.1%) holding up relatively well as the reopening supports demand relative to goods. Personal incomes dropped sharply by 13.1% after a stimulus check-driven 21% surge in March. Also positive was data showing initial jobless claims falling to a post-pandemic low of 406,000 in the w/e May 22, though this is still almost double pre-pandemic norms. Finally, President Biden announced a large \$6 trn budget for FY22, though this will likely be challenged in Congress.

China: The PBOC left benchmark interest rates for corporate and household loans unchanged (1-yr: 3.85%; 5-yr: 4.65%) for the 13th month in a row, as the economic recovery proceeds. Industrial firms' profits rose 106.1% y/y in Jan-April period.

Japan: The government revised down its economic assessment as the country continues to grapple with the pandemic and a third extension of the state of emergency. The Olympics in July could also be in doubt. Their cancellation would cost ¥1.4 trillion (\$12.9bn) and cut Japan's 2021 growth by about 1.7%.

Financial markets: Global markets were mostly positive as signs of a sustained US economic recovery outweighed inflation concerns. The MSCI ACWI rose 1.4% w/w, led by Asian markets (MSCI Asia Pacific up +2.2%), while the S&P 500 and Euro Stoxx 50 gained 1.2% and 1.1%, respectively. GCC markets were mixed but positive overall (MSCI GCC up +1.1%), led by Dubai (2.4%), while Kuwait's All-Share lost 1.3% w/w.

Oil: Brent rebounded last week, gaining 4.8% w/w and closing at \$69.6/bbl (34.4% ytd). Positive US economic data and crude & gasoline stock draws were the main drivers. The rise came despite the bearish prospect of additional Iranian supply now that the nuclear agreement negotiations appear to be progressing. In a landmark ruling at The Hague, oil major Royal Dutch Shell was ordered to cut its CO2 emissions faster than it

planned and in line with the 2015 Paris Climate accords after an environmental group successfully challenged its business model on "unlawful endangerment" grounds.

MENA Region

Kuwait: Parliament overwhelmingly approved the allocation of KD600 million in financial rewards to over 200,000 frontline workers for their service in combatting the coronavirus pandemic. The finance minister indicated that the new real estate financing law, which has been sent to parliament for approval, will give borrowers the option of obtaining housing loans from banks and financing companies as well as from the Kuwait Credit Bank. Meanwhile, Moody's reiterated its belief that large oil endowments, sizeable financial buffers and low debt levels are the key pillars of Kuwait's current A1 rating.

Saudi Arabia: The finance minister announced that the proceeds from privatization are targeted to reach \$55bn (\$38bn in asset sales and \$17bn in public-private partnerships) by 2025 and would exclude asset sales by the PIF or Aramco. 160 projects across 16 sectors have been earmarked. To expedite the privatization process, a new "private sector participation law" was approved in March and will come into effect in July.

Oman: Inflation spiked to 1.6% y/y in April following the implementation of a 5% value-added-tax during the month. Inflation had been negative for more than 12 months.

Egypt: Egypt is expected to receive \$1.6bn from the IMF as part of the \$5.2bn, 12-month stand-by arrangement following the second review of the economic program.

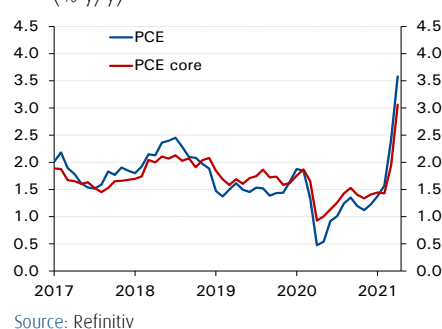
Key takeaways:

- Having reached a multi-decade high in April, core inflation in the US is more likely to rise than fall in the coming months given reopening pressures. This could prompt the Fed to announce a plan to withdraw some policy support by 4Q21.
- The Hague's ruling against Shell, which is enforceable, is likely to set a precedent for future climate-linked litigation against oil majors, forcing many to lower their carbon footprint much sooner than they had anticipated.
- Kuwait's new mortgage law, if approved, should widen the financing options for Kuwaitis' residential home purchases, speed up the buying process and be positive for both banks' and the government's balance sheet. The supply side will need to be addressed, though, if excessive price gains are to be mitigated.

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



► **Chart 2: US inflation**
(% y/y)



► **Chart 3: Oman inflation**
(% y/y)



Key data

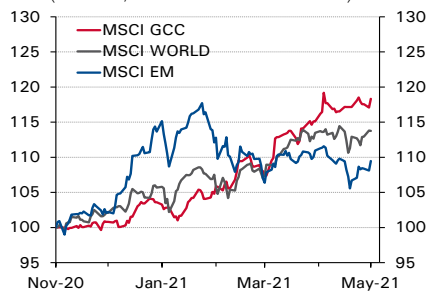
Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	5,321	3.6	2.1
DAX	15,520	0.5	13.1
DJIA	34,529	0.9	12.8
Eurostoxx 50	4,071	1.1	14.6
FTSE 100	7,023	0.1	8.7
Nikkei 225	29,149	2.9	6.2
S&P 500	4,204	1.2	11.9
Regional			
Abu Dhabi SM	6,548	0.5	29.8
Bahrain ASI	1,533	-0.3	2.9
Dubai FM	2,816	2.4	13.0
Egypt EGX 30	10,242	-4.6	-5.6
MSCI GCC	649	1.1	18.8
Kuwait SE	6,208	-1.3	11.9
KSA Tadawul	10,520	1.7	21.1
Muscat SM 30	3,832	-0.9	4.7
Qatar Exchange	10,764	0.6	3.1

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.59	-3.9	68.1
Bunds 10 Year	-0.18	-5.7	39.1
Gilts 10 Year	0.80	-3.5	60.1
JGB 10 Year	0.08	-0.1	5.8
Regional			
Abu Dhabi 2022	0.30	-1.6	-20.0
Dubai 2022	0.19	2.6	-1.3
Qatar 2022	0.32	-16.6	-20.3
Kuwait 2022	0.78	-1.0	32.3
KSA 2023	0.62	-5.6	-9.8
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	69.6	4.8	34.4
KEC	68.9	6.8	36.1
WTI	66.3	4.3	36.7
Gold	1902.5	1.4	0.5

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.62	18.5	-63.2
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.18	0.5	5.4
Eibor - 3 month	0.42	7.9	-8.8
Saibor - 3 month	0.79	0.0	-2.6
Libor - 3 month	0.13	-1.6	-10.4
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.301	0.1	-1.0
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.219	0.1	-0.2
JPY per USD	109.8	0.8	6.4
USD per GBP	1.419	0.3	3.8
EGP per USD	15.61	0.0	-0.5

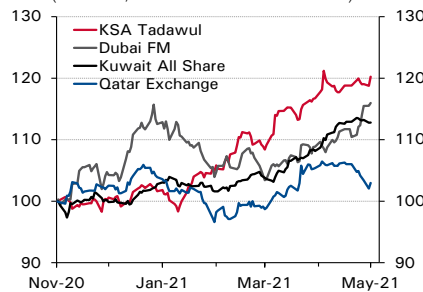
Updated on 28/5/2021 Source: Refinitiv

International equity markets (rebased, 25 November 2020=100)



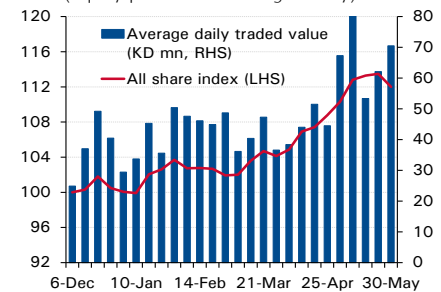
Source: Refinitiv

GCC equity markets (rebased, 25 November 2020=100)



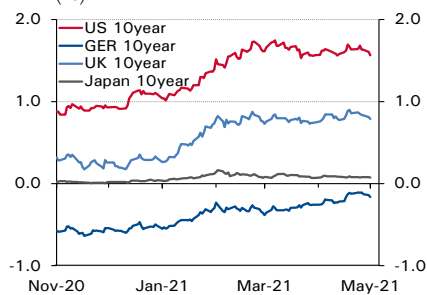
Source: Refinitiv

Bursa Kuwait (equity prices and trading activity)



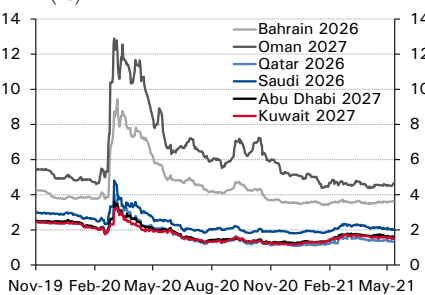
Source: Refinitiv

International bond yields (%)



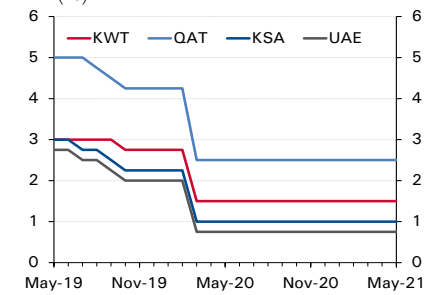
Source: Refinitiv

GCC bond yields (%)



Source: Refinitiv

GCC key policy rates (%)



Source: Refinitiv