

Daily Economic Update

Economic Research Department
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US: Fed officials reluctant to cut rates quickly but to start discussion on QT soon. Minutes of the FOMC's January meeting highlighted that members remained wary of slashing interest rates too soon as inflation remains high despite some softening. Importantly, many policymakers were inclined to start “in-depth discussions” at the upcoming mid-March meeting on moderating the pace of quantitative tightening (QT), under which the Fed is letting \$95 billion worth of securities roll off its balance sheet every month. The Fed's reverse repo facility, which helps absorb excess liquidity, has seen a steady decline from a peak of around \$2.5 trillion in early 2023 to just above \$500 billion now, drawing officials' attention to tightening liquidity conditions in the banking system. Still, a few officials believed some roll-off could continue even after the bank started cutting policy rates. The meeting minutes sent mixed signals about the Fed's next moves on its current restrictive policy stance. Post the January meeting, a hotter-than-expected inflation print, and solid labor market data could mean the Fed may exercise further caution at its meeting next month before dropping clear hints about future policy easing.

Japan: Manufacturing activity worsens in February as the economy struggles to emerge from recession. The au Jibun Bank Composite PMI flash estimate reading eased to 50.3 in February from 51.5 the previous month. The manufacturing sub-index remained in contractionary territory for the ninth consecutive month, coming in at 47.2 from 48 in January due to a sharp drop in output and foreign sales. Moreover, employment activity slumped at the quickest pace since January 2021. Meanwhile, the services index reading eased to 52.5 in February (53.1 in January) amid softer rises in output, though marking the 18th straight month of expansion as new business growth accelerated to its fastest rate since last August. Worsening business conditions in the manufacturing sector, lower employment activity, and reduced optimism about future output could complicate the Bank of Japan's plan to shift away from its negative interest rate policy this year.

Saudi Arabia: Non-oil exports fall 12% in 2023 while imports rise by 11%. Non-oil exports ended the year on a strong note, increasing by 12% y/y in December. However, for the full year 2023, non-oil exports were still down 12%. We note that prices of a big portion of non-oil exports (such as chemicals, plastics, etc.) are impacted by oil prices, and hence, lower oil prices would have translated to a lower export value of these products. Oil exports tumbled by 24% in 2023, given lower oil prices as well as reduced oil production. Meanwhile, imports climbed by 11% over the last year on the back of the solid growth in non-oil activities (+4.6%) recorded in the year. The merchandise trade surplus stood at SAR 417 billion in 2023 (around 10% of estimated GDP), almost half the SAR 830 billion surplus recorded in 2022.

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,389	-0.12	-1.97
Bahrain (ASI)	2,050	0.06	3.97
Dubai (DFMGI)	4,255	-0.52	4.81
Egypt (EGX 30)	29,292	-0.13	17.96
GCC (S&P GCC 40)	743	0.09	4.31
Kuwait (All Share)	7,420	0.35	8.85
KSA (TASI)	12,634	0.22	5.57
Oman (MSM 30)	4,579	-0.04	1.45
Qatar (QE Index)	10,365	0.55	-4.30

International			
CSI 300	3,457	1.35	0.75
DAX	17,118	0.29	2.19
DJIA	38,612	0.13	2.45
Eurostoxx 50	4,775	0.32	5.61
FTSE 100	7,663	-0.73	-0.91
Nikkei 225	38,262	-0.26	14.34
S&P 500	4,982	0.13	4.44

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.38	-0.14	-14.39
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.31	-5.90	-1.26
Saudi	6.25	1.06	1.34
LIBOR	5.58	-0.38	-0.95
SOFR	5.33	N/A	-0.57

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.74	3.20	41.8
Oman 2027	5.69	0.00	53.4
Qatar 2026	4.89	1.40	36.7
Kuwait 2027	4.60	2.10	25.7
Saudi 2028	5.07	-0.30	54.9

International 10YR			
US Treasury	4.32	4.80	46.3
German Bund	2.44	7.00	41.1
UK Gilt	4.11	6.60	57.0
Japanese Gvt Bond	0.73	-0.50	11.0

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.04	0.14
KWD per EUR	0.33	0.09	0.63
USD per EUR	1.08	0.13	-1.98
JPY per USD	150.28	0.19	6.54
USD per GBP	1.26	0.13	-0.75
EGP per USD	30.85	-0.26	0.00

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	83.03	0.84	7.78
KEC	83.01	N/A	4.34
WTI	77.91	-0.35	8.74
Gold	2022.3	-0.26	-1.94

Quoted prices/rates collected after close of last trading day (or are most recent available)

Source: Refinitiv / Haver