

International

US: Non-farm payrolls expanded a less-than-expected 245,000 in November – the weakest since the recovery began – in a further sign that labor market momentum is slowing due to high virus cases, movement restrictions and business closures. The unemployment rate edged down to 6.7% from 6.9% in October, helped by a drop in the participation rate to 61.5% as some people left the workforce. The soft figures may galvanize Congress into a compromise stimulus deal to fend off economic weakness, with a reduced package of \$0.9 trillion now mooted.

Europe: A last-minute Brexit trade deal between the EU and the UK – which would avoid the imposition of tariffs and quotas from January 1 – still hangs in the balance. Both sides are standing ground on issues including fishing rights and the 'level playing field', while a weekend phone conversation between UK PM Johnson and EC president von der Leyen aimed at unlocking the talks yielded little. Tomorrow, December 7 could be a final deal deadline to allow enough time for ratification by year-end.

Financial markets: Global equities were positive, with US indices closing at record-highs supported by increased optimism about agreeing on a fiscal stimulus deal. The FTSE 100 outperformed with a 2.9% w/w increase, followed by the S&P 500 and China's CSI 300 at 1.7%.

Oil: Brent crude surged 2.2% w/w to \$49.3/bbl, despite OPEC+ agreeing to raise output collectively by 0.5 mb/d in January pending monthly reviews. Markets had been expecting OPEC+ to delay the 1.9 mb/d of scheduled increases for at least a quarter, but a compromise was reached following a split among some OPEC members. US crude output gained 100 kb/d in the w/e 27 Nov to hit 11.1 mb/d, while crude inventories fell to 488 mb. Oil rig counts increased again, by 5 to 246 in the w/e 4 Dec.

MENA Region

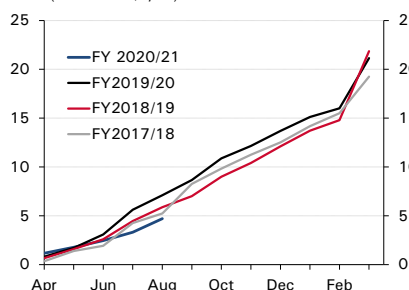
Kuwait: Preliminary results from Saturday's National Assembly elections point to a high turnout, and indicated that only 19 MPs out of 50 from the 2016 parliament have been returned. Fiscal data for the first five months (to August) of FY20/21 showed that the government registered a deficit of KD1.4 billion (around 11% of estimated pro-rated GDP) compared with a KD0.2 billion surplus a year earlier. The deficit was attributed to the collapse in oil revenues by 59% to KD2.8 billion, while spending fell by 34% to KD4.7 billion. Within the overall total, capital spending was down 60%, albeit less than in earlier months.

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



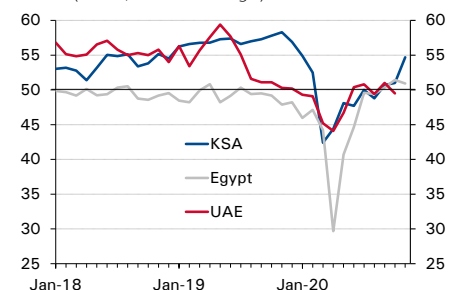
Source: Refinitiv

▶ **Chart 2: Kuwait gov't spending** (KD billion, ytd)



Source: Ministry of Finance

▶ **Chart 3: MENA region PMIs*** (Index, 50=no change)



Source: IHS Markit *Latest UAE data is for October

Saudi Arabia: An end to the more than three-year rift between Qatar and Saudi Arabia appears to be 'within reach'. With Kuwaiti and US mediation, tentative steps appear to have been taken for a rapprochement, which could see borders reopened. The Saudi PMI rose to a 10-month high of 54.7 in November, with output and new orders components strengthening to 55.7 and 58.2, respectively, from 52.9 and 50.9 in October. Credit growth remained strong in October, pushing up the y/y expansion to 15.9% with that softening to a still-solid 10% excluding mortgages. The Saudi central bank has extended its loan deferral program until the end of first quarter of 2021 to help businesses cope with the fallout of the pandemic.

UAE: Inflation declined in October by -2.2% y/y as the fall in the housing component accelerated to -3.5% from -3.0% in September. Moreover, prices in the transportation and recreation & culture groups contracted by 5.1% and 29%.

Egypt: The PMI ticked down to 50.9 in November from October's near six-year high of 51.4, driven by easing in the output (52.0) and new orders (52.7) components. Elsewhere, the current account deficit widened to \$11.2 billion (3.1% of GDP) in FY19/20, from \$10.9 billion in FY18/19 (3.6% of GDP).

Financial markets: GCC markets were mixed with Bahrain and Qatar up 2% and 1.7% w/w, respectively, KSA inching down 0.2%, while Kuwait's All-Share index decreased 0.3% despite the November 30 upgrade by MSCI to emerging market status. The MSCI GCC closed 0.1% lower for the week.

Key takeaways:

- OPEC's output increase announcement caught the market by surprise, but the subsequent rise in oil prices reflected both relief that output wasn't hiked by more and positive vaccine news. Monthly monitoring could help maintain discipline as prices may come under pressure with oil market fundamentals in 1Q2021 still looking precarious.
- Early results from Kuwait's parliamentary elections show a high degree of MP turnover from the previous assembly. Such change may signal a better chance for economic reforms, which will also depend on the stand of the new government.
- Kuwait's fiscal deficit in the first five months of the year was smaller than expected, but we still expect a deficit of around KD10bn in FY20/21 as spending typically rises sharply towards year end.

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	5,066	1.7	23.7
DAX	13,299	-0.3	0.4
DJIA	30,218	1.0	5.9
Eurostoxx 50	3,539	0.3	-5.5
FTSE 100	6,550	2.9	-13.2
Nikkei 225	26,751	0.4	13.1
S&P 500	3,699	1.7	14.5
Regional			
Abu Dhabi SM	4,965	-0.1	-2.2
Bahrain ASI	1,497	2.0	-7.1
Dubai FM	2,420	0.0	-12.5
Egypt EGX 30	11,015	0.3	-21.1
MSCI GCC	546	-0.1	-3.7
Kuwait SE	5,543	-0.3	-11.8
KSA Tadawul	8,675	-0.2	3.4
Muscat SM 30	3,640	0.4	-8.6
Qatar Exchange	10,466	1.7	0.4

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	0.97	12.7	-94.1
Bunds 10 Year	-0.54	4.4	-35.4
Gilts 10 Year	0.35	6.7	-47.3
JGB 10 Year	0.02	-0.9	4.3
Regional			
Abu Dhabi 2022	0.58	-1.8	-145.9
Dubai 2022	0.70	4.6	-176.4
Qatar 2022	0.56	-5.8	-149.9
Kuwait 2022	0.60	-2.7	-146.8
KSA 2023	0.84	-1.6	-145.7
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	49.3	2.2	-25.4
KEC	48.8	3.5	-28.6
WTI	46.3	1.6	-24.2
Gold	1835.9	3.0	20.8

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	1.15	-3.1	-110.5
Eibor - 3 month	0.33	-14.8	-187.6
Saibor - 3 month	0.83	-0.3	-140.3
Libor - 3 month	0.23	0.1	-168.3

Exchange rates	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	-0.4	0.4
KWD per EUR	0.363	0.0	9.1
USD per EUR	1.212	1.3	8.1
JPY per USD	104.1	0.0	-4.1
USD per GBP	1.344	0.9	1.3
EGP per USD	15.62	0.2	-2.4

Updated on 4/12/2020

Source: Refinitiv

International equity markets

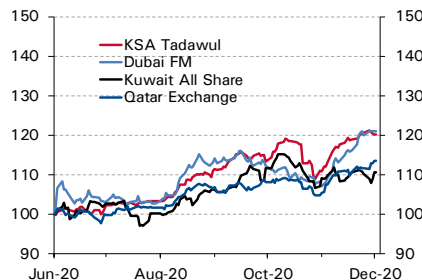
(rebased, 3 June 2020=100)



Source: Refinitiv

GCC equity markets

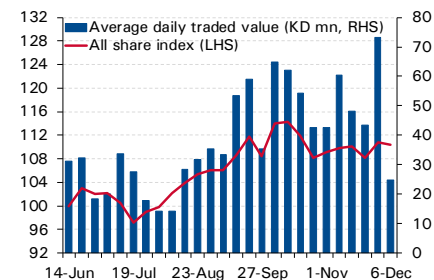
(rebased, 3 June 2020=100)



Source: Refinitiv

Boursa Kuwait

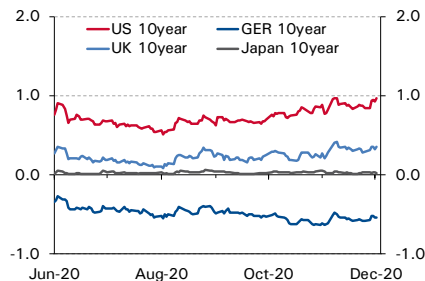
(equity prices and trading activity)



Source: Refinitiv

International bond yields

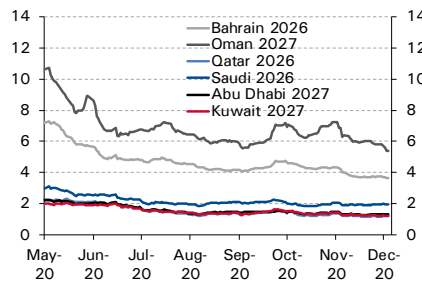
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Source: Refinitiv

GCC bond yields

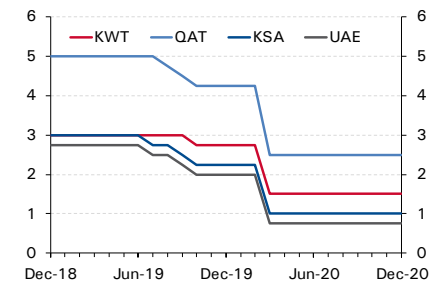
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv