

### International

**US:** Economic data was broadly positive, in a week that saw President Trump become the third US president to be impeached. The PCE price index rose 0.2% m/m in November (+1.5% y/y), while core PCE decelerated slightly to 1.6% y/y from 1.7% a month ago. Consumer spending (+0.4% m/m) and personal income (+0.5% m/m) increased in Nov, supported by the lowest unemployment rate in nearly fifty years. The flash composite PMI for December edged up to 52.2 from 51.9 in Nov—though still consistent with only modest rates of economic growth. Industrial production rebounded in November (+1.1% m/m) as auto production recovered from the GM workers' strike; growth remained at -0.8% y/y, though.

**UK:** The BoE, as expected, kept rates on hold (0.75%), as it was announced that Andrew Bailey had succeeded Mark Carney as the Bank's new governor in March 2020. PM Boris Johnson's Brexit Withdrawal Agreement Bill gained first round parliamentary approval (358 votes to 234), but concerns that the bill made a hard Brexit more likely—by prohibiting an extension of the transition period beyond 2020—pushed Sterling down 2.2% w/w to \$1.305, erasing all the currency's gains since the Conservatives' election victory.

**Financial markets:** Global equities rallied last week as recession fears eased in the wake of the "phase one" US-China trade deal announcement. The MSCI-AC World rose 1.5% w/w, led by the Eurostoxx 50 (+1.2%), S&P500 (+1.7%) and the Dow (+1.1%); the latter two US indices reached all-time highs. 10-yr US treasuries increased 10 bps w/w to 1.92%.

**Oil:** Brent pared back some gains on Friday but still closed the week up 1.4% w/w at \$66.1/bbl (+23% ytd). Upbeat economic data out of the US and China and progress on trade talks between the world's two largest economies and oil consumers propelled oil prices to 3-month highs last week.

### MENA Region

**Kuwait:** The budget deficit for the first eight months of FY2019/20 (to November) was KD0.7bn, unchanged from October and equivalent to 2.5% of estimated pro-rated GDP in 2019. After transfers to the sovereign wealth fund, the deficit was KD1.8bn. Revenues fell 19% y/y, with oil prices having fallen around 16% over the same period. Spending growth slowed to 16% (21% in Oct) thanks to slower but still strong growth in current expenditures of 23%. Meanwhile, the external

goods trade surplus slipped slightly from KD2.7bn in 2Q19 to KD2.2bn in 3Q19 (est. 22% of pro-rated GDP). Exports declined 20% y/y due to lower oil prices, while imports declined 11%.

**Saudi Arabia:** Saudi unemployment continued to trend down, with the rate falling from 12.3% in 2Q19 to 12% in 3Q19—the fifth consecutive quarterly improvement. The participation rate inched up to 45.5%. Also, for the first time since 4Q17, private sector employment of Saudis also increased, while the quarterly reduction in expat private sector jobs continued to moderate.

**UAE:** Growth in the money supply (M3) eased to 5.6% y/y in November (vs. +7.3% in Oct) as government deposits declined 1.1%. Deflation in Abu Dhabi consumer prices eased in November to -0.3% y/y (vs. -1.1% in Oct) on the back of higher prices for recreation and culture; housing rental inflation was unchanged at -3.7% y/y. On the other hand, the Abu Dhabi producer price index for 3Q19 declined by 11% y/y, as prices of manufactured petroleum and chemical products fell by 15% and 37%, respectively. Industrial production rose 22% y/y on a rise in fabricated metal products and machinery and equipment.

**Oman:** The government sold almost 50% of its stake in the Oman Electricity Transmission Company to China, raising around \$1bn as it pursues its privatization and FDI agenda.

**Qatar:** In the 2020 budget, the authorities plan for a third consecutive fiscal surplus, of QR500mn (\$136.4mn). This is a significant drop from 2019's figure of QR4.4bn (\$1.2bn) and is due to a 2% y/y hike in expenditures to QR210.5bn (\$57.8bn) and flat revenue growth, to QR211bn (\$58bn). The assumed oil price is \$55/bbl as per the 2019 budget.

**Financial markets:** The MSCI-GCC rose a solid 3.1% w/w, lifted by Saudi Arabia (+3.6%) on banking and financial sector gains. Kuwait's All-Share index rose 1.3%, helped by positive sentiment after MSCI announced Kuwait's inclusion in its benchmark EM index from May 2020.

#### Key takeaways:

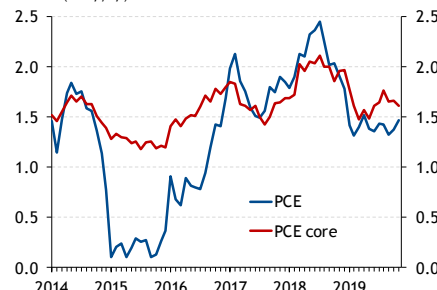
- Positive US data could potentially support the Fed's decision to keep rates unchanged in 2020, despite muted inflation.
- Oil sentiment remains bullish for now, but OPEC+ needs to carry production cuts through 1Q20 to restrict stock build-ups.
- Strong y/y growth in government spending in Kuwait is partly due to unusually weak spending a year ago, and should moderate ahead. Nevertheless, elevated spending, combined with lower oil prices, could widen the full-year deficit to 8% of GDP this year (vs. 3% last year).

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



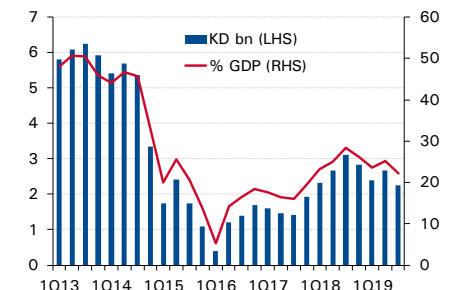
Source: Refinitiv

▶ **Chart 2: US CPI inflation** (% y/y)



Source: Refinitiv

▶ **Chart 3: Kuwait trade balance**



Source: Central Statistical Bureau / NBK

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,017	1.2	33.4
DAX	13,319	0.3	26.1
DJIA	28,455	1.1	22.0
Eurostoxx 50	3,777	1.2	25.8
FTSE 100	7,582	3.1	12.7
Nikkei 225	23,817	-0.9	19.0
S&P 500	3,221	1.7	28.5
<b>Regional</b>			
Abu Dhabi SM	5,092	1.1	3.6
Bahrain ASI	1,584	1.1	18.5
Dubai FM	2,769	1.7	9.4
Egypt EGX 30	13,837	3.6	6.1
MSCI GCC	563	3.1	-48.8
Kuwait SE	6,195	1.3	22.0
KSA Tadawul	8,291	3.6	5.9
Muscat SM 30	3,917	-2.6	-9.4
Qatar Exchange	10,340	0.8	0.4

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.92	9.6	-77.4
Bunds 10 Year	-0.25	4.8	-49.2
Gilts 10 Year	0.79	-0.7	-48.4
JGB 10 Year	0.01	2.7	0.6
<b>Regional</b>			
Abu Dhabi 2022	2.03	-6.0	-127.3
Dubai 2022	2.50	-4.7	-143.3
Qatar 2022	2.08	-3.0	-137.6
Kuwait 2022	2.06	-1.0	-126.6
KSA 2023	2.45	-4.8	-143.3
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	66.1	1.4	22.9
KEC	68.3	2.7	30.8
WTI	60.4	0.6	33.1
Gold	1474.7	-0.1	15.4

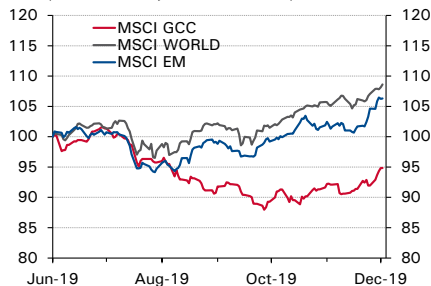
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.67	-5.0	-128.3
Kibor - 3 month	2.75	0.0	43.8
Qibor - 3 month	2.20	-6.3	-70.6
Eibor - 3 month	2.13	2.6	-70.5
Saibor - 3 month	2.24	-0.3	-73.6
Libor - 3 month	1.93	3.4	-88.0
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	0.1	0.1
KWD per EUR	0.333	0.0	-4.3
USD per EUR	1.108	-0.4	-3.4
JPY per USD	109.4	0.1	-0.1
USD per GBP	1.300	-2.4	1.9
EGP per USD	16.02	-0.3	-10.3

Updated on 20/12/2019

Source: Refinitiv

### International equity markets

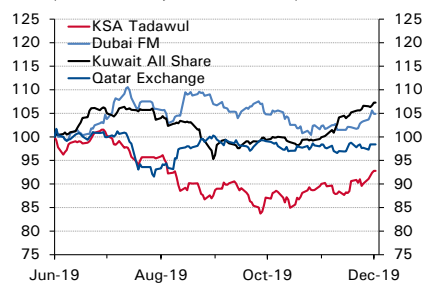
(rebased, 12 June 2019=100)



Source: Refinitiv

### GCC equity markets

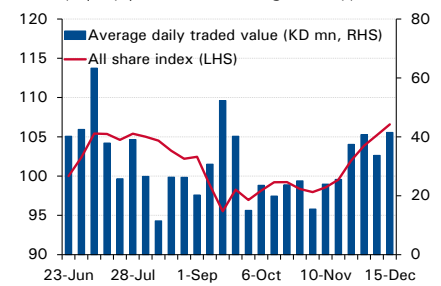
(rebased, 12 June 2019=100)



Source: Refinitiv

### Bursa Kuwait

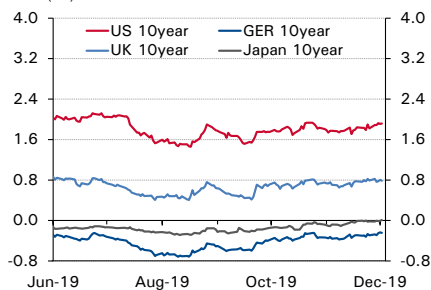
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

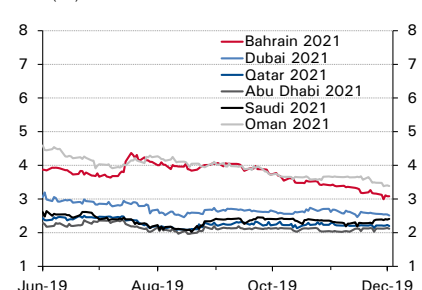
(%)



Source: Refinitiv

### GCC bond yields

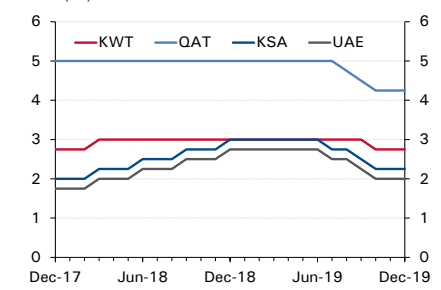
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv