

International

US: President-elect Joe Biden outlined his much-anticipated \$1.9 trillion-stimulus plan (8% of GDP) benefiting households, state/local governments, employment benefits and include an increase in the minimum wage to \$15/hour. It comes amid further signs of a slowing economy due to the pandemic, with new jobless claims spiking to a 20-week high of 965,000 in the w/e January 9, while retail sales for December were below expectations, falling -0.7% m/m after a big drop in November. Meanwhile, core CPI inflation remained relatively tame at 1.6% y/y in December.

EU: The euro-area economy could see a double-dip recession on pandemic re-surge, but the ECB President believes that the economy can still rebound as expected if the pandemic restrictions are lifted by March. However, she qualified the vaccination roll out as "laborious", a risk to the outlook.

China: The trade surplus stood at \$78 billion in December, resulting in a 2020 surplus of \$535 billion, up 27% versus 2019 as exports increased by 3.6% while imports dropped by 1%.

Financial markets: The MSCI AC World lost 0.9% w/w as the S&P 500 and the Euro Stoxx 50 lost 1.5% and 1.2%, respectively, while the Nikkei outperformed (+1.4% w/w).

Oil: Oil prices closed lower on a combination of demand worries and a stronger dollar. Brent fell to \$55.1/bbl (-1.6% w/w; +6.4% YTD), as markets grew anxious over the weak near-term demand outlook in Europe due to mobility restrictions. OPEC predicts a tighter market in 1Q21.

MENA Region

Kuwait: The Prime Minister submitted the government's resignation to His Highness the Emir, following the submission of a motion to question the PM on various issues by several members of parliament. Meanwhile, S&P affirmed Kuwait's sovereign rating at AA- with a negative outlook, reflecting risks stemming from the fiscal pressure and lack of reforms. Finally, according to Labor Market Information System, overall employment declined by 4% y/y in 3Q20 on a contraction in expat hiring (-5.5%), but higher jobs for Kuwaitis (+2.8%).

Saudi Arabia: SAMA issued rules for crowdfunding activities, and separately, an "Open Banking Policy", with both initiatives falling under the Vision 2030. Meanwhile, the Crown Prince unveiled "The Line" project, a futuristic and green city within

NEOM, which is expected to create 380k jobs and contribute \$48 billion to GDP by 2030. Separately, he announced \$6 trillion in investment opportunities in the country over the coming 10 years, to be 85% financed by the PIF/private sector and 15% by foreign investors.

Oman: The government issued \$3.25 billion in three-tranche bonds having four-year, 10-year, and 30-year maturities, paying 4.45%, 6.25%, and 7.25%, respectively. Meanwhile, the Sultan issued a new "Basic Law", which effectively paved the way for the appointment of his eldest son to be the country's first-ever Crown Prince.

Egypt: Inflation slowed to 5.4% in December from 5.7% in November, and for full 2020, average inflation decelerated to 5.1% from 9.2% in 2019, on a softening increase in food and beverage prices. Meanwhile, the IMF raised its forecast for the FY20/21 economic growth to 2.8% from 2% back in its June's forecast.

Financial markets: GCC markets were up on stronger sentiment due to robust oil prices YTD. MSCI GCC index increased 1.9% w/w led by Dubai (+2.9%) and Kuwait (+2.2%)

Key takeaways:

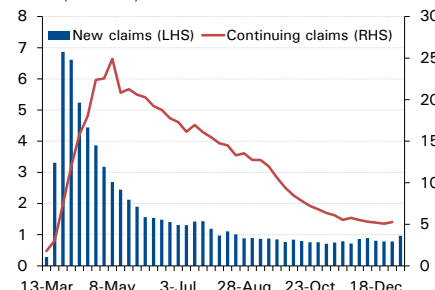
- Biden's large stimulus program aims to boost a softening US economy and labor market as the surge in the pandemic is threatening economic growth. The plan could face resistance from Senate Republicans wary of huge new spending hikes but with democratic majority in both houses, approval of the plan is all but guaranteed.
- The resignation of the government in Kuwait comes at a critical time, in which the need to finance the mounting fiscal deficit cannot be overstated. Longer term, further delay in implementing much-needed reforms poses a great risk for fiscal sustainability and for economic diversification.
- SAMA's new twin policies are positive developments for the country's financial sector and economy at large, and are further testimony to the strong reform momentum taking place. Ongoing reforms coupled with bold projects, such as the "The Line" augur well for the country's outlook.
- Due to quick containment of the virus, China was able to grow faster than expected partly due to surge in exports, including of products related to COVID and to countries hard hit by the pandemic. Growth this year could bounce back to close to its pre-pandemic levels.

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



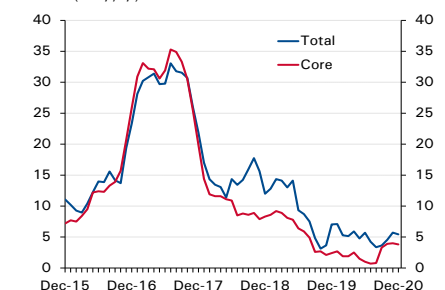
Source: Refinitiv

▶ **Chart 2: US weekly jobless claims** (millions)



Source: Refinitiv

▶ **Chart 3: Egypt's inflation** (% y/y)



Source: CBE

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	5,458	-0.7	4.7
DAX	13,788	-1.9	0.5
DJIA	30,814	-0.9	0.7
Eurostoxx 50	3,600	-1.2	1.3
FTSE 100	6,736	-2.0	4.3
Nikkei 225	28,519	1.4	3.9
S&P 500	3,768	-1.5	0.3
Regional			
Abu Dhabi SM	5,267	2.0	4.4
Bahrain ASI	1,459	0.6	-2.0
Dubai FM	2,702	2.9	8.4
Egypt EGX 30	11,453	4.6	5.6
MSCI GCC	565	1.9	3.3
Kuwait SE	5,656	2.2	2.0
KSA Tadawul	8,899	1.8	2.4
Muscat SM 30	3,639	-1.6	-0.5
Qatar Exchange	10,914	2.2	4.6

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.10	-1.0	18.5
Bunds 10 Year	-0.54	-2.7	3.3
Gilts 10 Year	0.29	-0.4	9.2
JGB 10 Year	0.03	-0.5	1.0
Regional			
Abu Dhabi 2022	0.52	-4.1	2.1
Dubai 2022	0.55	-24.1	35.0
Qatar 2022	0.60	3.0	8.1
Kuwait 2022	0.59	-5.7	13.2
KSA 2023	0.73	-0.2	1.7
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	55.1	-1.6	6.4
KEC	55.6	1.4	9.8
WTI	52.4	0.2	7.9
Gold	1829.3	-0.3	-3.4

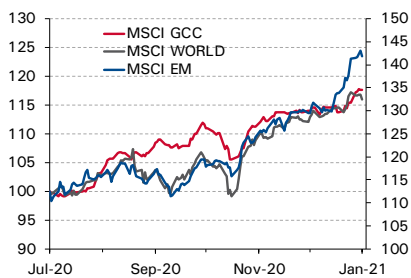
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.23	-1.7	-1.7
Kibor - 3 month	1.44	0.0	0.0
Qibor - 3 month	1.15	17.6	2.6
Eibor - 3 month	0.40	-2.9	-11.7
Saibor - 3 month	0.82	0.0	0.0
Libor - 3 month	0.23	0.1	-1.3
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	-0.1	-0.3
KWD per EUR	0.363	0.0	0.0
USD per EUR	1.208	-1.1	-1.1
JPY per USD	103.9	-0.1	0.6
USD per GBP	1.359	0.2	-0.6
EGP per USD	15.61	-0.3	-0.5

Updated on 15/1/2021

Source: Refinitiv

International equity markets

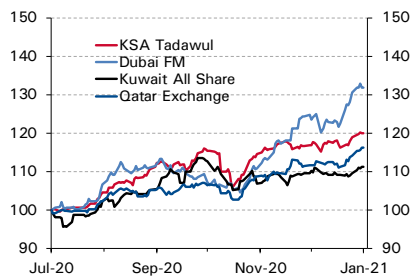
(rebased, 15 July 2020=100)



Source: Refinitiv

GCC equity markets

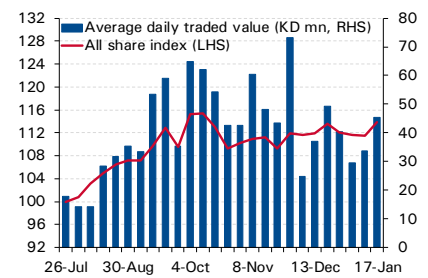
(rebased, 15 July 2020=100)



Source: Refinitiv

Bursa Kuwait

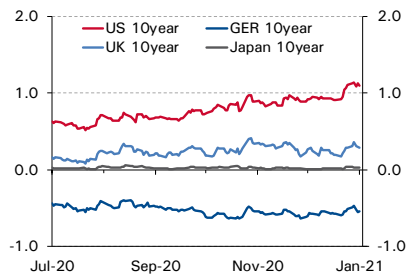
(equity prices and trading activity)



Source: Refinitiv

International bond yields

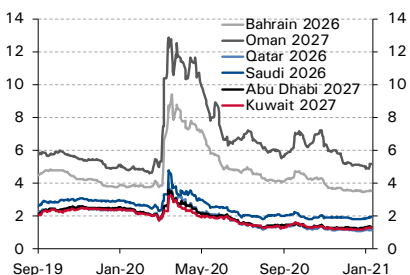
(%)



Source: Refinitiv

GCC bond yields

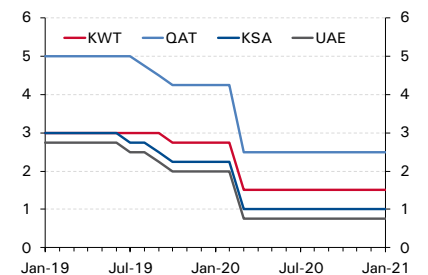
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv