

International

US: The US escalated its trade dispute with the EU by hiking tariffs on plane imports from 10% to 15%, as part of its long-running clash over aircraft subsidies. However, it opted to avoid retaliatory tariffs on other goods. Meanwhile retail sales rose 0.3% m/m in January and consumer sentiment rose to 100.9 in February – its second highest in 16 years. Consumer price inflation rose to a 15-month high of 2.5% from 2.3% in December, with the core rate steady at 2.3%. Industrial production fell 0.3% m/m (-0.9% y/y) affected by warm weather and a halt in production of Boeing's 737 Max airplane.

China: The death toll from the coronavirus has reached more than 1,600 with the number of confirmed cases topping 68,000. The figures almost doubled compared to a week earlier in part due to a change in the diagnosis method. The government has so far allocated RMB90 billion to combatting the virus, on top of liquidity measures by the central bank.

Financial markets: Global equities rose modestly on easing coronavirus fears. The MSCI AC World gained 1.2% w/w led by the S&P500 (1.6%), and emerging markets rose a decent 1.1%. The US 10-year treasury yield was broadly steady at 1.59%.

Oil: Brent climbed 5% w/w to \$57.3/bbl – its first rise in six weeks – as markets grew a little more optimistic that the spread of the coronavirus was easing. Russia indicated that it would support extending current OPEC+ production cuts into Q2 but no mention was made of deepening them. Due to the impact of the coronavirus, OPEC and the IEA lowered their estimates of global demand growth this year by almost a fifth (to 990 kb/d) and a third (to 825 kb/d), respectively.

MENA Region

Kuwait: Data from PACI showed employment growth rising to 4.9% y/y in December 2019 from 4.2% a year earlier. Kuwaiti jobs growth moderated from 3.7% to a still-decent 2.4%, while expatriate job growth recovered from 4.3% to 5.4% led by a pick-up in domestic workers (+14.8%). Kuwait's total population reached 4.78 million, up 3.3%. Meanwhile, the central bank cut its repo rates by 25 bps and leaving the 1-week rate at 2.25%. Domestic credit growth stood at 4.3% y/y in December, down from 4.7% in November. Core business lending growth edged down to 4.3%, while household lending slowed to 3.9%. Finally, the government recorded a fiscal deficit of KD0.8 billion in the first 10 months of FY19/20 (to January),

2% of estimated pro-rated GDP, and KD2.3 billion after transfers to the sovereign wealth fund.

Lebanon: The government is considering whether to pay \$1.2 billion in Eurobonds falling due early March. At the request of the authorities, an IMF technical assistance mission will be in Lebanon this week to provide advice on reform measures. The IMF stated that any decision on debt restructuring would need to be made by the authorities.

Bahrain: Bahrain's budget deficit narrowed from 6.3% of GDP in 2018 to 4.7% of GDP in 2019 on the back of a significant pick-up in non-oil revenues (+63% y/y) and a fall in spending (-3%) – the latter aided by Fiscal Balance Program-related reforms. Bahrain is aiming for a balanced budget by 2022. Real GDP growth came in largely unchanged at 2.1% y/y in 2019, with the non-oil sector expanding by 2.3%.

Egypt: Inflation edged up to 7.2% y/y in January from 7.1% in December on an increase in food inflation to 2.7% from 1.8%. Core inflation accelerated to 2.7% from 2.4% in December. Meanwhile the unemployment rate fell to 8% in 4Q19 from 8.9% a year earlier, though above the 7.8% recorded in 3Q19.

Financial markets: GCC market sentiment was dented by weaker than expected earnings in Qatar and Dubai, while a declining Saudi Aramco stock weighed on the Saudi market. The MSCI-GCC fell 2.5% w/w led by Qatar (3.5%) and Saudi Arabia (2.2%). The Kuwait All-Share index eased 1.1%.

Key takeaways:

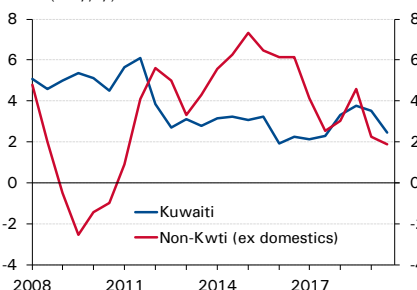
- Despite enjoying a better week, oil prices could remain under pressure with global oil demand likely to contract in 1Q20 for the first time in 10 years due to coronavirus-related fallout. OPEC+ could be forced to extend cuts into mid-year, with deeper cuts by Saudi Arabia, Kuwait and the UAE a possibility.
- Improving headline employment growth in Kuwait in 2019 provides near-term support for consumer spending. However, jobs growth was boosted by domestic workers, while weak private sector hiring of Kuwaiti nationals continues to highlight the need for reforms to address longer-term sustainability.
- Inflation in Egypt ticked up slightly in January, but remains within the central bank's 9% ± 3% target range. There is scope for an interest rate cut this week, but the bank may prefer to wait for clearer signs that inflation has stabilized before loosening policy further.

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



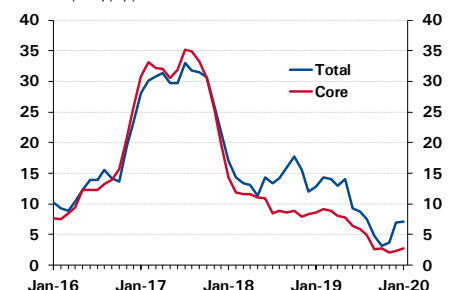
Source: Refinitiv

▶ **Chart 2: Employment in Kuwait** (% y/y)



Source: PACI

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



Source: Refinitiv

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,988	2.3	-2.7
DAX	13,744	1.7	3.7
DJIA	29,398	1.0	3.0
Eurostoxx 50	3,841	1.1	2.6
FTSE 100	7,409	-0.8	-1.8
Nikkei 225	23,688	-0.6	0.1
S&P 500	3,380	1.6	4.6
Regional			
Abu Dhabi SM	5,037	-1.0	-0.8
Bahrain ASI	1,663	0.4	3.3
Dubai FM	2,734	-1.3	-1.1
Egypt EGX 30	13,859	-1.7	-0.7
MSCI GCC	534	-2.5	-5.8
Kuwait SE	6,209	-1.1	-1.2
KSA Tadawul	7,874	-2.2	-6.1
Muscat SM 30	4,128	0.0	3.7
Qatar Exchange	9,847	-3.5	-5.5

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.59	1.1	-32.2
Bunds 10 Year	-0.40	-1.8	-21.3
Gilts 10 Year	0.63	5.9	-19.6
JGB 10 Year	-0.03	0.9	-0.7
Regional			
Abu Dhabi 2022	1.83	-2.3	-21.2
Dubai 2022	2.37	-2.2	-9.5
Qatar 2022	1.92	0.2	-14.7
Kuwait 2022	1.78	1.7	-28.2
KSA 2023	2.10	-0.9	-19.9
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	57.3	5.2	-13.2
KEC	57.3	2.1	-16.2
WTI	52.1	3.4	-14.8
Gold	1582.7	0.9	4.2

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.58	0.0	-8.3
Kibor - 3 month	2.56	-18.8	-18.8
Qibor - 3 month	2.32	2.0	6.8
Eibor - 3 month	1.98	1.5	-23.0
Saibor - 3 month	2.14	-1.4	-8.7
Libor - 3 month	1.69	-4.3	-21.7
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.305	0.2	0.6
KWD per EUR	0.330	-1.3	-1.0
USD per EUR	1.083	-1.0	-3.4
JPY per USD	109.7	0.0	1.0
USD per GBP	1.305	1.2	-1.6
EGP per USD	15.65	-0.5	-2.2

Updated on 14/2/2020

Source: Refinitiv

International equity markets

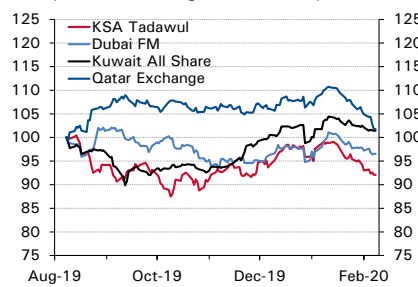
(rebased, 14 August 2019=100)



Source: Refinitiv

GCC equity markets

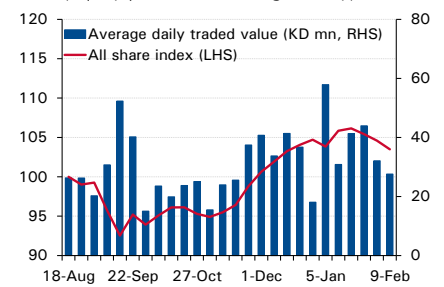
(rebased, 14 August 2019=100)



Source: Refinitiv

Bursa Kuwait

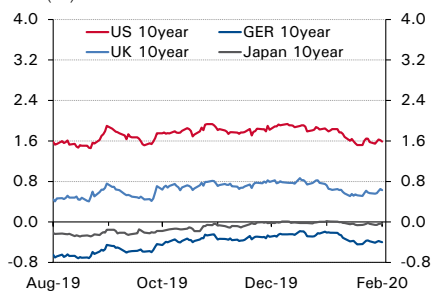
(equity prices and trading activity)



Source: Refinitiv

International bond yields

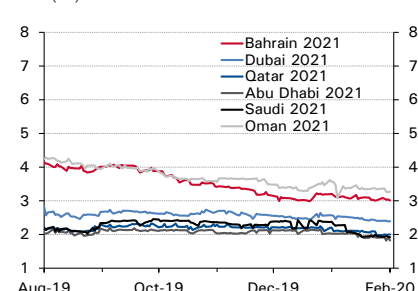
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Source: Refinitiv

GCC bond yields

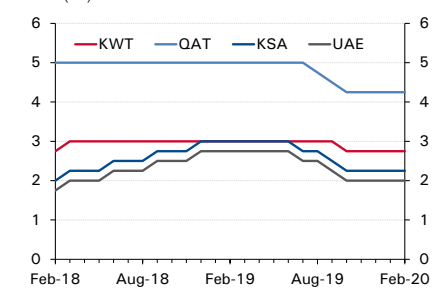
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv