

# Daily Economic Update

Economic Research Department  
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**Japan: The Bank of Japan (BOJ) keeps interest rates unchanged.** The BOJ affirmed its current policy settings in its meeting today, holding the key interest rate and the 10-year Japanese government bond yield target steady at -0.1% and 0%, respectively, while maintaining the Yield Curve Control (YCC) policy of allowing the 10-year government bond yield to move up by 1%. The BOJ justified its unanimous decision by taking a prudent stance given the “high uncertainties surrounding economies and financial markets at home and abroad”. This decision came despite inflation running over the BOJ’s target of 2% for more than a year, with rising inflationary pressures outpacing wage hikes and real wages declining as a result. This has been the case for almost two years. However, BOJ executives had hinted earlier that the new inflation forecasts that will be out in April could provide the necessary justification for a policy shift, taking into account a possible interest rate cut by the Fed.

**Global: Benchmark bond yields rebound from their late December lows.** Global sovereign bond yields have recovered from their multi-month lows at the end of last year as robust US economic data and renewed inflation worries in the US and UK prompted investors to reassess their aggressive interest rate cut calls. Several central bank officials across the US and Europe also pushed back against such bullish market expectations. As of yesterday’s close, UST 10Y bond yields have jumped 31 bps to 4.1%, German Bund (10Y) yields rose 36 bps to 2.23% and the UK gilt (10Y) yield soared over 45 bps to 3.91% since late December. Moreover, UST 2-10Y yield inversion has flattened to 29 bps from its current cycle-peak of 108 bps in July 2023, with the chances of a recession narrowing after solid US data underscored the economy's resilience. This has also raised prospects for long-term policy rates to stay more elevated than previously projected. Meanwhile, Japanese government bonds (JGB) also came under renewed selling pressure (10Y yield up around 10 bps since the beginning of last week), despite softer inflation prints and weak economic indicators. Recently-held auctions of JGBs drew a poor response from investors, who continue to hope for a monetary policy reversal over the coming months.

**UAE: Dubai’s GDP growth slowed to 3.3% in the first nine months of 2023.** Dubai’s GDP growth eased to a still-robust 3.3% y/y in the first nine months of 2023, down from 4.5% y/y in the corresponding period of 2022. The fastest expansion in output was registered in the “Accommodation & Food” and “Transportation & Storage” sub-categories, 11.1% y/y and 10.9%, respectively, supported by the strong flow of inbound tourists during the period. Moreover, the “Information and Communication Technology” sub-category grew by 4.4% y/y, which could be related to the initiatives taken by the government to foster digital transformation and the ambitious goals of the Dubai Economic Agenda D33.

**Qatar: Credit growth slows to a 13-month low.** Total credit growth slowed to 2.9% y/y in December, down from 4.9% the previous month, and the slowest pace since November 2022. The deceleration came largely due to base effects (large m/m jump in lending in December 2022) as the monthly growth stood at a decent 1.3% in December 2023.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,680	-0.33	1.07
Bahrain (ASI)	1,994	0.09	1.16
Dubai (DFMGI)	4,081	-0.01	0.53
Egypt (EGX 30)	28,050	1.19	12.96
GCC (S&P GCC 40)	727	1.23	2.07
Kuwait (All Share)	7,275	0.14	6.72
KSA (TASI)	12,110	0.89	1.19
Oman (MSM 30)	4,607	0.06	2.07
Qatar (QE Index)	10,370	0.77	-4.26
International			
CSI 300	3,219	-1.56	-6.18
DAX	16,683	0.77	-0.41
DJIA	38,002	0.36	0.83
Eurostoxx 50	4,480	0.71	-0.91
FTSE 100	7,488	0.35	-3.17
Nikkei 225	36,547	1.62	9.21
S&P 500	4,850	0.22	1.69
3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.52	0.00	-0.83
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.18	11.89	-15.15
Saudi	6.20	-1.26	-3.48
LIBOR	5.58	0.28	-1.28
SOFR	5.32	-0.20	-1.56

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.56	-0.40	24.0
Oman 2027	5.33	0.00	17.2
Qatar 2026	4.70	0.90	18.0
Kuwait 2027	4.45	4.10	11.1
Saudi 2028	4.92	-0.30	39.5
International 10YR			
US Treasury	4.09	-5.20	23.4
German Bund	2.26	-4.70	22.9
UK Gilt	3.91	-2.30	36.7
Japanese Gvt Bond	0.65	-1.90	3.6

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	0.00	0.16
KWD per EUR	0.33	-0.16	1.24
USD per EUR	1.09	-0.15	-1.40
JPY per USD	148.09	-0.03	4.98
USD per GBP	1.27	0.05	-0.18
EGP per USD	30.85	0.00	0.00

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	80.06	1.91	3.92
KEC	79.83	-1.37	0.34
WTI	75.19	2.42	4.94
Gold	2019.8	-0.33	-2.07

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

Source: Refinitiv / Haver