

International

USA: CPI inflation came in at a consensus 1.5% y/y in February, down slightly from January, while the core rate also edged down to 2.1% – close to the Fed’s 2% target. Consumer activity data was generally strong, with confidence bouncing further in March from a shutdown-related January. Although retail sales rose just 0.2% m/m in January after a weak December, they were much stronger excluding autos and gas which is a better underlying measure. But industrial data was softer, with manufacturing output posting a second consecutive m/m decline in February and a New York manufacturing survey at a two-year low.

Europe: Prime Minister Theresa May’s Brexit deal with the EU was voted down by parliament for the second time. With just days to go before the UK’s scheduled 29th March departure date, May will seek a further vote on the deal this week which if it fails would lead to the UK applying to the EU for an extension to its departure date. Meanwhile the UK published plans for tariff cuts in the event of ‘no deal’.

Financial markets: Markets were lifted by US technology stocks and news of China’s commitment to economic stimulus. The MSCI world rose 2.5% w/w, led by the S&P500 which gained 2.9% w/w, the strongest weekly gain since November.

Oil: Brent posted a second consecutive week of gains, up 2.2% at \$67.2/bbl amid continued OPEC+ production cuts and uncertainty over Venezuelan supply losses. Traders are also casting an eye on the expiration in May of US waivers for buyers of Iranian oil. OPEC reported that its aggregate production declined in February by 221 kb/d to 30.5 mb/d on further Saudi production cuts and falls in Venezuelan output.

MENA Region

Kuwait: Credit growth rose to a more than two-year high of 5% y/y in January from 4.3% in December, supported by an increase in lending to both businesses and households. Year-on-year consumer borrowing growth, at 1.1%, returned to positive territory for the first time in more than three years. Growth in deposits edged up to 4.2% from 3.2% in December, due to a strong rise in private deposits (5.2% y/y), while government deposit growth remained in decline. Meanwhile latest OPEC data show that Kuwait’s crude oil production edged 14,000 b/d lower in February to 2.71 mb/d.

This leaves Kuwait fully compliant with its OPEC production quotas, which targeted a reduction in output of 85,000 b/d from last September’s levels of 2.8 mb/d.

Saudi Arabia: The kingdom closed six privatization deals worth SR13.3 bn in the water, healthcare and transportation sectors over the last two months. A further 23 privatization projects for completion by 2022 are in the pipeline, as part of the kingdom’s reform and Vision 2020 drive.

UAE: In contrast to the soft recent PMI figure for the UAE overall, the Dubai Economy Tracker was unchanged at 55.8 in February, though above December’s 53.7. This was supported by stronger output growth and robust gains in the wholesale & retail sector, despite a record decline in employment.

Qatar: The state news agency reported that Qatar would expand the number of areas in which foreigners can purchase real estate. 10 locations have been identified allowing 100% foreign ownership, in a bid to entice more investment.

Turkey: The economy slipped in to recession for the first time in almost two decades, after GDP fell 2.4% q/q in 4Q18 and 1.6% q/q in 3Q18, led by sharp declines in household spending and investment. In year-on-year terms, growth contracted by a larger than expected 3.0% in 4Q18. For 2018 as a whole however, growth still logged a positive 2.6%.

Financial markets: The MSCI GCC index rose 1.3% w/w led by Qatar, which rebounded on bank stocks after a prolonged selloff, and Abu Dhabi, which surged on gains in blue chips. Boursa Kuwait’s All-Share index rose 0.7%.

Key takeaways:

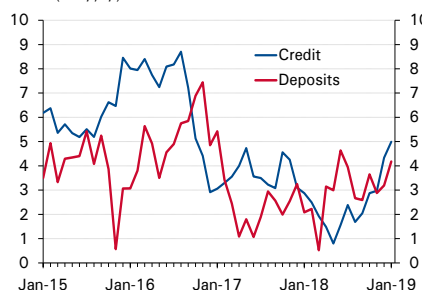
- Soft US industrial data and the absence of a US-China trade deal has led to speculation about possible Fed policy loosening later this year: futures markets now point to a near-25% chance of an interest rate cut by December, but in our view a cut remains unlikely.
- If Brexit is delayed, the EU has signaled that any extension might have to be for up to two years, pointing to a lengthy period of economic uncertainty for the UK but also the possibility of elections that could shift the political dynamic.
- The pick-up in Kuwait’s credit growth among business and consumers is encouraging. The return of y/y consumer loan growth to positive territory follows two strong months, perhaps reflecting the easing in central bank loan limits in December. This should also bode well for consumer spending.

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



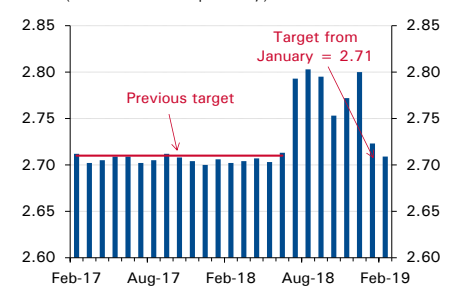
Source: Thomson Reuters Datastream

▶ **Chart 2: Kuwait credit and deposits** (% y/y)



Source: Thomson Reuters Datastream

▶ **Chart 3: Kuwait crude oil output** (million barrels per day)



Source: OPEC

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,745	2.4	24.4
DAX	11,686	2.0	10.7
DJIA	25,849	1.6	10.8
Eurostoxx 50	3,386	3.1	12.8
FTSE 100	7,228	1.7	7.4
Nikkei 225	21,451	2.0	7.2
S&P 500	2,822	2.9	12.6
Regional			
Abu Dhabi SM	4,998	1.7	1.7
Bahrain ASI	1,409	0.0	5.4
Dubai FM	2,574	-0.8	1.8
Egypt EGX 30	14,991	0.6	15.0
S&P GCC 40	1,127	1.7	2.4
Kuwait SE	5,347	0.7	5.3
KSA Tadawul	8,583	1.2	9.7
Muscat SM 30	4,075	-0.9	-5.8
Qatar Exchange	9,971	1.9	-3.2

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.59	-3.2	-9.8
Bunds 10 Year	0.09	1.5	-15.7
Gilts 10 Year	1.21	2.2	-5.7
JGB 10 Year	-0.04	-0.5	-3.9
Regional			
Abu Dhabi 2022	2.98	-5.7	-32.1
Dubai 2022	3.72	-3.0	-20.8
Qatar 2022	3.15	-11.6	-30.3
Kuwait 2022	2.92	-14.6	-40.3
KSA 2023	3.38	-15.7	-50.1
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	67.2	2.2	24.8
KEC	67.6	1.9	29.4
WTI	58.5	4.4	28.9
Gold	1301.8	0.4	1.8

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	3.85	0.0	-10.0
Kibor - 3 month	2.69	0.0	37.5
Qibor - 3 month	2.90	1.5	-0.3
Eibor - 3 month	2.81	4.9	-2.5
Saibor - 3 month	2.90	-0.7	-7.9
Libor - 3 month	2.61	1.4	-19.3
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.0	0.2
KWD per EUR	0.343	0.6	-1.5
USD per EUR	1.133	0.8	-1.3
JPY per USD	111.5	0.3	1.7
GBP per USD	1.329	2.1	4.2
EGP per USD	17.35	-0.2	-2.9

Updated on 15/3/2019 Source: Thomson Reuters Eikon

International equity markets

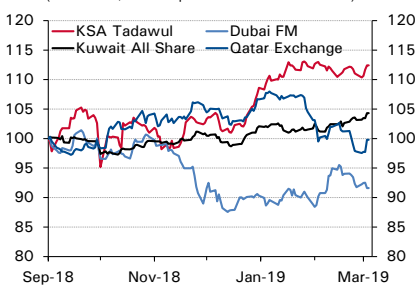
(rebased, 12 September 2018=100)



Source: Thomson Reuters Datastream

GCC equity markets

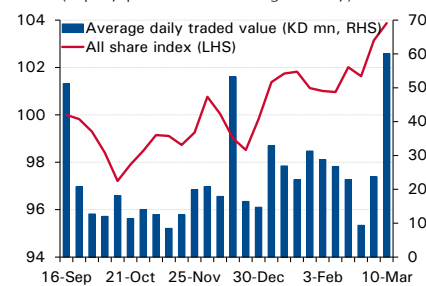
(rebased, 12 September 2018=100)



Source: Thomson Reuters Datastream

Boursa Kuwait

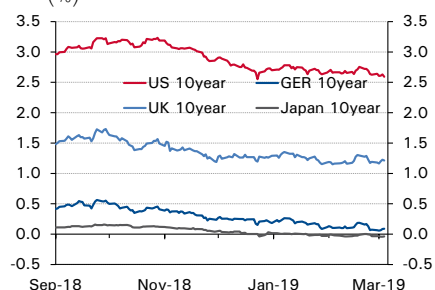
(equity prices and trading activity)



Source: Thomson Reuters Datastream

International bond yields

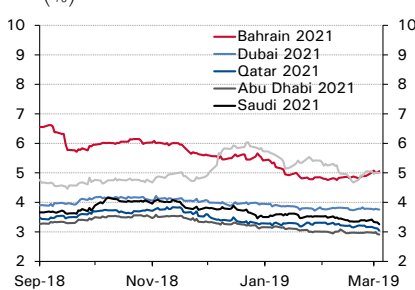
(%)



Source: Thomson Reuters Datastream

GCC bond yields

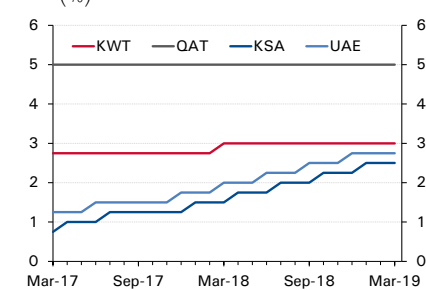
(%)



Source: Thomson Reuters Datastream

GCC key policy rates

(%)



Source: Thomson Reuters Datastream