

### International and markets

**US:** Non-farm jobs rose by only 266,000 in April, much lower than the consensus 1 million while March's big gains were also revised significantly lower to 770,000. The unemployment rate also unexpectedly ticked up to 6.1% though partly driven by a rise in participation with more people returning to the workforce as the economy recovers. Despite the above, wage inflation came in hotter than expected at 0.7% m/m consistent with reports of labor shortages as demand rebounds; Treasury Secretary Yellen however denied claims that higher jobless benefits were dulling return-to-work incentives. Meanwhile, ISM indices for both manufacturing (60.7) and services (62.7) remained strong in April but edged back from their March highs. Services firms continued to report growing price pressures, with the prices sub-index hitting a near 13-year high of 76.8.

**UK:** The Bank of England revised up its outlook for UK 2021 GDP growth to 7.3% from 5.0% before, amid a decline in health risks and a stronger projected rebound in consumer spending. The bank held interest rates at 0.1% and said it would slow its QE bond purchases slightly but that this was not a change in policy stance. Policy tightening would not be considered until the outlook for inflation and unemployment were clearer – perhaps in Q4 this year after the government's furlough scheme expires.

**China:** The trade surplus stood at \$42.8 billion in April, above the market consensus of \$28.1 billion, as global demand improved. Meanwhile, the composite PMI increased to a four-month high of 54.7 in April from 53.1 in March, amid a further improvement in demand conditions.

**Financial markets:** Global equity markets were mostly positive as stronger data bolstered recovery optimism, despite the weaker than expected US jobs data. The MSCI AC world gained 0.9% w/w led by the DJIA (2.7%) reaching a record high. GCC markets were negative overall (MSCI GCC -1%), weighed down by Saudi Arabia (-1.8%), while most other markets were positive, with Kuwait's All-Share up 2.3%, lifted by Agility following the announcement of a major acquisition deal.

**Oil:** Brent closed on Friday up 1.5% w/w at \$68.3/bbl (+31.8% ytd), boosted by hopes of bumper summer oil consumption in the US and Europe. US refinery run rates and UK fuel sales are at their highest levels since the pandemic began. Oil was also carried along by the broader rally in commodities, though it failed to break through \$70, its new

ceiling, due to concerns over the spiraling coronavirus situation in India.

### MENA Region

**Kuwait:** According to the Minister of Finance, the government has no intention of imposing taxes on income, pointing out that the excise and VAT taxes will have a positive impact on the budget with little effect on the citizens' income. Meanwhile, inflation edged up to 3.2% y/y in March (+0.3% m/m) from 3.0% in February, on the back of continued increases in the food component. Core inflation also increased to 2.9% y/y, the highest rate since May 2020. Finally, bank credit rose by 0.4% m/m and 2.8% y/y in March. Business lending continued to be muted (+0.6% y/y), while household lending remained robust (+8.1%) with housing loans up 8.7%, the highest annual growth since 2017.

**Saudi Arabia:** Fiscal accounts for 1Q21 showed a 9% y/y decrease in oil revenues (oil exports are estimated to have dropped by 19%), while non-oil revenues increased by 39% resulting in a 7% increase in total revenues. Total expenditures decreased by 6% with current expenditures broadly flat, while capital spending dropped by a sharp 47%. The fiscal deficit stood at SAR7.4 billion (-1% of GDP) compared with SAR34 billion (around -5% of GDP) in 1Q20.

**Egypt:** The PMI fell from 48.0 in March to its lowest level in 9 months of 47.7 in April, and the fifth consecutive month below the 50 mark. Sales and employment declined at a sharp pace and input costs increased. Meanwhile, Egypt's foreign reserves remained strong at \$40.3 billion in April (8 months of imports).

#### Key takeaways:

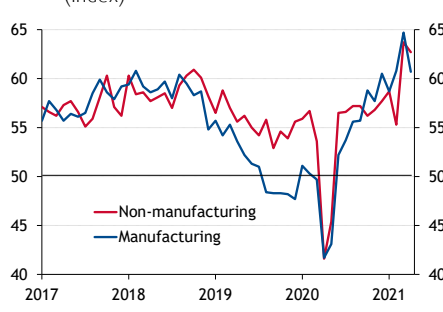
- Soft US jobs data came despite broader evidence of a robust economic rebound but are consistent with growing reports of labor shortages. This softness should prove temporary as the recovery proceeds but may also allay near-term fears of overheating and justify extended policy support by the Fed.
- While the pick-up in Kuwait's inflation has been partly due to rising international food prices, core inflation has edged up too. The persistence of price pressures due to recovering demand, supply chain issues and rising global commodity prices present some upside risk to our 2.5% 2021 inflation forecast.
- Although early days, the Saudi government's fiscal data for Q1 look broadly in line with budget expectations. Based upon historical spending patterns, the deficit could widen in coming quarters and we still expect -4% of GDP for 2021 overall, well down on 2020 levels.

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



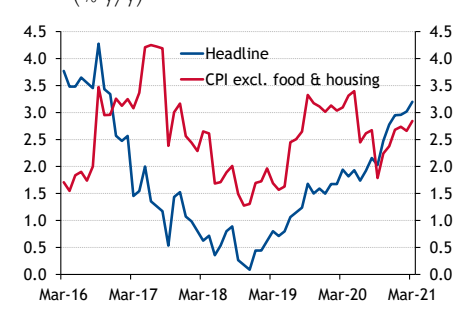
Source: Refinitiv

▶ **Chart 2: US ISM survey activity** (Index)



Source: Refinitiv

▶ **Chart 3: Kuwait's Inflation** (% y/y)



Source: CBK

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,996	-2.5	-4.1
DAX	15,400	1.7	12.3
DJIA	34,778	2.7	13.6
Eurostoxx 50	4,034	1.5	13.6
FTSE 100	7,130	2.3	10.4
Nikkei 225	29,358	1.9	7.0
S&P 500	4,233	1.2	12.7
<b>Regional</b>			
Abu Dhabi SM	6,152	1.7	21.9
Bahrain ASI	1,522	2.5	2.1
Dubai FM	2,664	2.2	6.9
Egypt EGX 30	10,588	1.1	-2.4
MSCI GCC	637	-1.0	16.4
Kuwait SE	6,252	2.3	12.7
KSA Tadawul	10,228	-1.8	17.7
Muscat SM 30	3,810	1.3	4.1
Qatar Exchange	10,896	-0.1	4.4

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.58	-5.2	66.7
Bunds 10 Year	-0.22	-1.9	35.6
Gilts 10 Year	0.78	-6.8	57.9
JGB 10 Year	0.08	-0.5	6.3
<b>Regional</b>			
Abu Dhabi 2022	0.38	-2.5	-12.4
Dubai 2022	0.58	18.9	38.0
Qatar 2022	0.54	9.7	1.5
Kuwait 2022	0.96	-1.3	49.9
KSA 2023	0.65	-3.6	-6.4
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	68.3	1.5	31.8
KEC	67.3	1.8	32.9
WTI	64.9	2.1	33.8
Gold	1831.1	3.6	-3.3

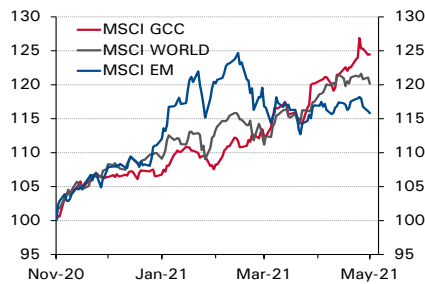
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.33	0.0	-92.5
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.19	9.7	6.7
Eibor - 3 month	0.45	9.8	-5.9
Saibor - 3 month	0.79	-0.3	-2.5
Libor - 3 month	0.16	-1.4	-7.6
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.301	0.0	-0.9
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.216	1.2	-0.4
JPY per USD	108.6	-0.6	5.2
USD per GBP	1.397	1.1	2.2
EGP per USD	15.62	0.1	-0.4

Updated on 7/5/2021

Source: Refinitiv

### International equity markets

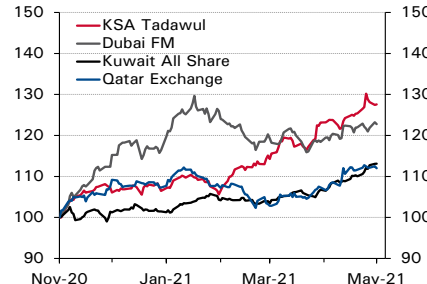
(rebased, 4 November 2020=100)



Source: Refinitiv

### GCC equity markets

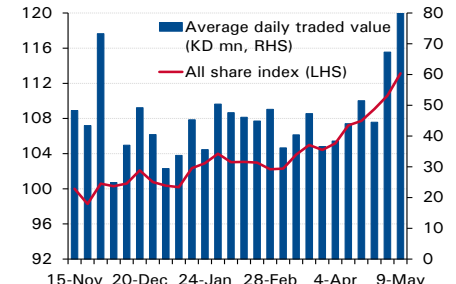
(rebased, 4 November 2020=100)



Source: Refinitiv

### Boursa Kuwait

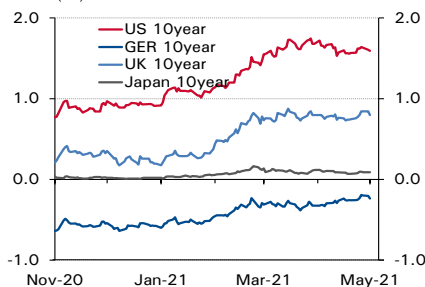
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

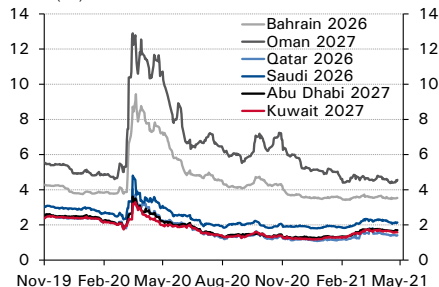
(%)



Source: Refinitiv

### GCC bond yields

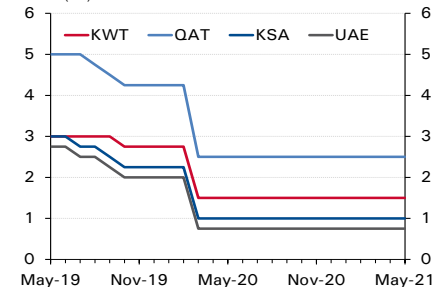
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv