

### International and markets

**US:** Non-farm jobs rose by a much larger-than-expected 916,000 in March, with the largest gains in leisure & hospitality, construction and government. February's numbers were also revised up, by 89,000 to 468,000. The unemployment rate fell to 6.0% from 6.2%. Some 14 million of the 22 million jobs lost since the pandemic have now been recovered. Other economic data was positive, too. The ISM manufacturing PMI surged to a 37-yr high of 64.7 in March led by new orders, though scarcity is biting with delivery times slowing and the prices sub-index still extremely high at 85.6. Finally, consumer confidence posted one of its largest one-month jumps ever, to its highest in a year. On policy, President Biden set out plans for a massive \$2trn in infrastructure spending over 8 years, to be paid for by higher corporate taxes.

**Europe:** Inflation jumped to a 14-month high of 1.3% y/y in March, pushed up by higher oil prices but also recent technical changes linked to series re-weighting. Core inflation eased back to 0.9% from 1.1% in Feb. A pick-up is expected in H2 but it should stay below the ECB's 'below but close to 2%' target.

**China:** The official non-manufacturing PMI rose to a 4-month high of 56.3 in March from 51.4 in Feb. In contrast, the smaller enterprise-focused Caixin manufacturing PMI grew at the slowest rate in almost a year (50.6) on softer overall domestic demand. The post-Covid economic rebound remains unequal.

**Financial markets:** Global equities rallied after the US stimulus announcement and on expectations of strong US jobs data. The MSCI AC World index gained 1.2% w/w. GCC stocks outperformed, up a solid 5.1% w/w, also lifted by Saudi investment plans. Kuwait's All Share index was up 0.7% w/w.

**Oil:** Brent closed up on Thursday to \$64.9/bbl (+2.1% d/d; +4.7% w/w), despite OPEC+ announcing a gradual unwinding of +2 mb/d worth of supply cuts in May-July (+350 kb/d in May; +350 kb/d in June; +450 kb/d in July). Saudi will restore its 1 mb/d of cuts over the 3 months. The market was also buoyed by the EIA's report of US crude and gasoline stock draws, indicating improved demand. OPEC+, though, revised down its 2021 oil demand outlook by 300 kb/d to 5.6 mb/d.

### MENA Region

**Kuwait:** Parliament approved a law on guaranteeing loans to SMEs and one on the deferral of credit instalments for 6 months.

In the former, banks will provide up to KD500mn to SMEs impacted by the pandemic, with the government both guaranteeing 80% of the amount and subsidizing the interest cost. The loans will be repayable over 8 years after a 2-yr grace period. The second law allows for the voluntary deferral of credit instalments of Kuwaitis for a period of 6 months, with the government bearing the cost of that deferral. The laws could cost the government about KD0.6bn in total. The cabinet also approved bonuses worth KD0.6bn for frontline workers fighting Covid-19. Meanwhile, consumer price inflation held at 3.0% y/y in February, mainly on higher food prices (+10.4% y/y).

**Saudi Arabia:** The Crown Prince launched the "Private Sector Partnership Reinforcement Program" which asked the largest Saudi companies to cut dividend payments and invest \$1.3trn in the local economy by 2030 (Aramco and SABIC will contribute 60%). The PIF and a forthcoming 'national investment strategy' aim to invest \$800bn and \$1.1trn, respectively. Bank credit growth remained strong in February (+15.6% y/y) and the Saudi unemployment rate fell to 12.6% in 4Q20.

**UAE:** ADNOC's Murban crude oil futures contract went live on the new ICE Futures Abu Dhabi (IFAD) exchange. Hopes are high that Murban will become the global benchmark for pricing of Middle East light-sour crudes, especially to Asia.

**Egypt:** The loss in revenues from the Suez Canal blockage amounted to \$52mn in four days, the Suez Canal Authority estimated. Bank credit growth was a robust 22.3% y/y in February.

#### Key takeaways:

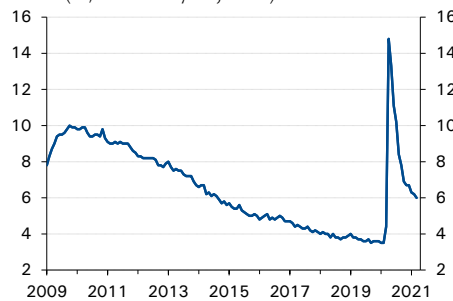
- The big rise in US jobs in March could be repeated and even exceeded in the coming months as the economy reopens. While the labor market still has a lot of slack, the strong recovery path will fuel inflation worries and suspicions that the US Fed may have to start tapering its QE program by year-end.
- Oil's gain after the OPEC+ supply increase decision looks to have been counterintuitive, especially after OPEC+ downgraded its own 2021 oil demand forecast a day earlier. But the markets took supply hikes as signaling confidence in the demand outlook. The drawdown in US gasoline stocks also helped.
- The combined cost of the draft laws and the bonus for frontline workers could widen Kuwait's FY21/22 fiscal deficit by KD1.2bn to KD7.6bn. The loan guarantee law is not expected to impact overall credit growth given its small size, while the impact of the debt repayments deferral on banks will be negligible with the government covering the interest payments.

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



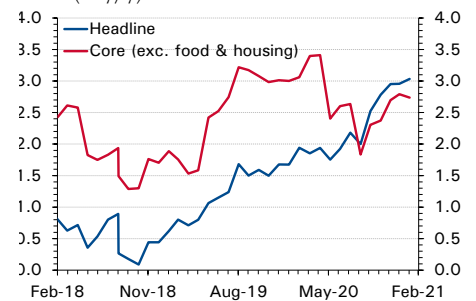
Source: Refinitiv

► **Chart 2: US unemployment** (% , seasonally-adjusted)



Source: Refinitiv

► **Chart 3: Kuwait inflation** (% y/y)



Source: Central Statistical Bureau (CSB)

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	5,162	2.5	-1.0
DAX	15,107	2.4	10.1
DJIA	33,153	0.2	8.3
Eurostoxx 50	3,946	2.1	11.1
FTSE 100	6,737	0.0	4.3
Nikkei 225	29,854	2.3	8.8
S&P 500	4,020	1.1	7.0
<b>Regional</b>			
Abu Dhabi SM	5,942	3.8	17.8
Bahrain ASI	1,455	-0.6	-2.3
Dubai FM	2,558	2.5	2.6
Egypt EGX 30	10,565	-2.8	-2.6
MSCI GCC	617	5.1	12.8
Kuwait SE	5,812	0.7	4.8
KSA Tadawul	9,896	5.1	13.9
Muscat SM 30	3,667	-0.3	0.2
Qatar Exchange	10,457	2.8	0.2

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.71	5.4	80.2
Bunds 10 Year	-0.33	2.4	25.0
Gilts 10 Year	0.80	4.0	60.1
JGB 10 Year	0.12	3.6	9.6
<b>Regional</b>			
Abu Dhabi 2022	0.45	-0.6	-5.4
Dubai 2022	0.77	8.0	57.2
Qatar 2022	0.42	-20.3	-10.0
Kuwait 2022	0.54	-56.2	7.5
KSA 2023	0.82	-2.0	10.7
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	64.9	0.4	25.2
KEC	NA	-0.2	24.1
WTI	61.5	0.8	26.6
Gold	1726.5	-0.3	-8.8

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.27	-10.3	-98.3
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.08	21.7	-4.4
Eibor - 3 month	0.31	-8.2	-20.2
Saibor - 3 month	0.80	0.1	-2.0
Libor - 3 month	0.20	0.7	-3.9

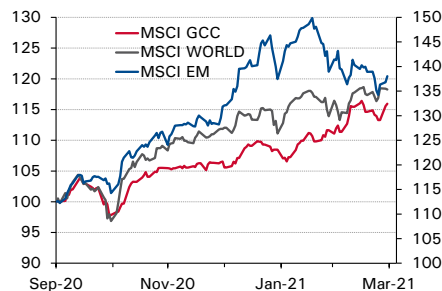
Exchange rates	rate	Change (%)	
		1-week	YTD
KWD per USD	0.302	-0.1	-0.6
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.176	-0.3	-3.7
JPY per USD	110.7	1.0	7.2
USD per GBP	1.383	0.3	1.1
EGP per USD	15.67	0.0	-0.1

Updated on 2/4/2021

Source: Refinitiv

### International equity markets

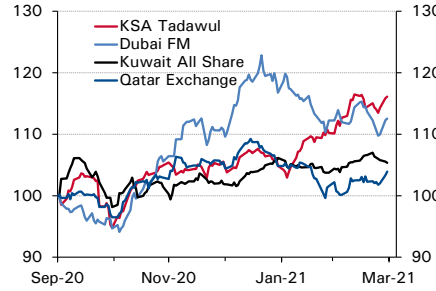
(rebased, 30 September 2020=100)



Source: Refinitiv

### GCC equity markets

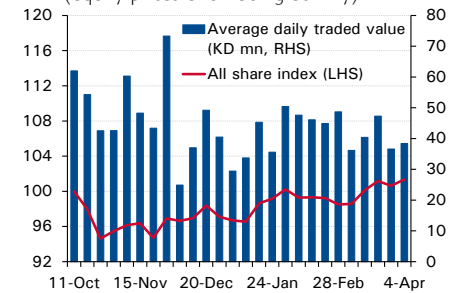
(rebased, 30 September 2020=100)



Source: Refinitiv

### Boursa Kuwait

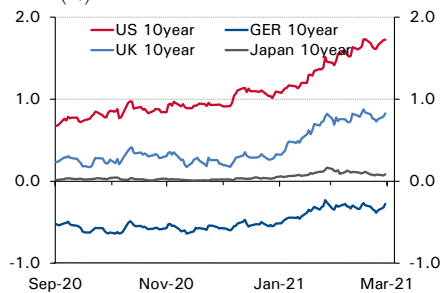
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

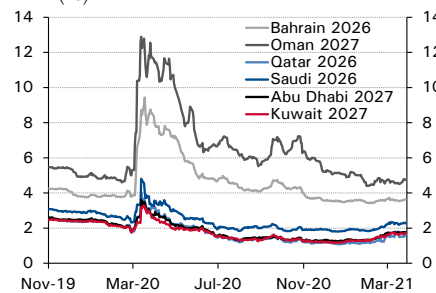
(%)



Source: Refinitiv

### GCC bond yields

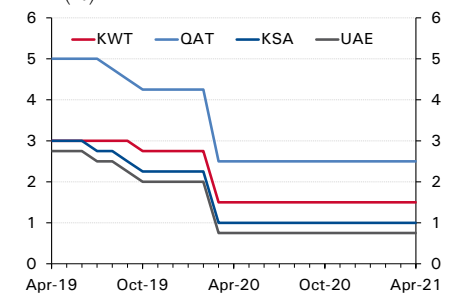
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv