

### International

**US:** Non-farm jobs smashed through expectations in January rising 225,000 (consensus 160,000) versus 147,000 in December. The unemployment rate ticked up to 3.6% due to a rise in the participation rate, but wage growth rose to 3.1% from a revised 3.0%, well above the rate of inflation. Activity indicators were also strong, with the ISM manufacturing index for January back above 50 (50.9) for the first time since July, while the services equivalent reached a five-month high of 55.5. Finally, the goods and services trade deficit widened to \$48.9 billion in December on a rebound in imports after weakness in previous months. For 2019 overall, the deficit narrowed to 2.9% of GDP from 3.0% in 2018 – the first decline in six years.

**China:** The death toll from the coronavirus reached more than 800 with 37,000 confirmed cases. In a bid to showcase some economic resilience in the face of the epidemic, China reaffirmed its commitment to the Phase 1 US trade deal, announcing that it will go ahead with plans to halve tariffs on more than 1,700 US goods (worth about \$75 billion), effective February 14<sup>th</sup>.

**Financial markets:** Global equities rebounded despite ongoing coronavirus worries, on positive US data, stimulus in China, and a statement by WHO that a virus pandemic is unlikely. The MSCI AC World rose 3% w/w led by the Eurostoxx 50 (+4.3%) and US markets DJI (+3.0%) and S&P 500 (+3.2%).

**Oil:** Brent posted a fifth consecutive weekly decline, falling 6% w/w to \$54.5/bbl as the coronavirus epidemic continued to wreak havoc on Chinese oil demand with estimates that world oil demand growth this year could be brought down by a third. OPEC+ technical officials suggested fresh supply cuts of 0.6 mb/d and extending existing cuts to the end of the year, although Russia is yet to give its approval. Moreover, the possible return of more than 1 mb/d of shut-in Libyan crude could further exacerbate the demand-supply imbalance.

### MENA Region

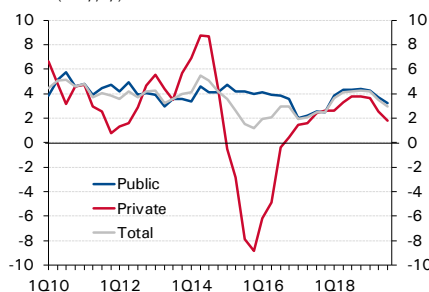
**Kuwait:** Data from PIFFS showed growth in jobs of Kuwaiti nationals eased to 3.0% y/y in 3Q19 from 3.5% in Q2, on a moderation in both public sector (3.2%) and private sector (1.8%) hiring. The public sector's share of job growth rose to 88%. Meanwhile, the Ara consumer confidence index edged down from 108 in October to 104 in November, amid a broad softening in most subcomponents including the economic environment and job opportunities.

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



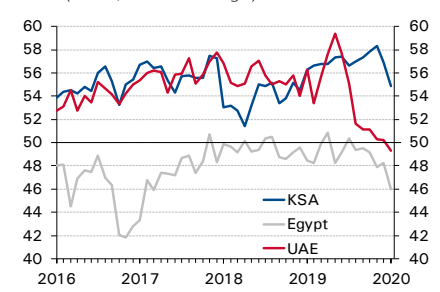
Source: Refinitiv

► **Chart 2: Kuwaiti employment** (% y/y)



Source: PIFFS

► **Chart 3: MENA region PMIs** (index, 50=no change)



Source: IHS Markit

**Saudi Arabia:** The PMI dropped to 54.9 in January 2020 (from 56.9 in December 2019), still indicating expansion in non-oil private sector activity.

**UAE:** The PMI fell to 49.3 in January from 50.2 in December, signaling a contraction in the non-oil sector. New orders declined and output stagnated, both linked to soft demand. Inflation remained negative in December at -1.4% y/y, unchanged from November, weighed down by housing (-4.9%) and clothing (-7.6%) segments. ADNOC and the Dubai Supply Authority signed an agreement to develop a newly discovered 80 trillion cubic feet gas reservoir in the Jebel Ali area.

**Bahrain:** In a surprise move, the central bank cut its one-month deposit rate by 15 bps to 2.45%, while keeping its one-week deposit rate (its key policy rate) and its overnight deposit rate unchanged at 2.25% and 2.00%, respectively. The move is reportedly part of a series of measures to ensure that local money markets are supplied with sufficient liquidity.

**Oman:** The budget deficit increased to OMR1.9 billion (-7.7% of pro-rated GDP) in the year-to-November 2019, a rise of 1% y/y. Revenues fell 2.3% y/y on an 11% drop in natural gas revenues, while total expenditures were down 1.8%.

**Egypt:** The PMI fell to 46 in January (48.2 in December), its lowest reading since early 2017 and below the 2019 average of 49.3. Weakness came from output (43.7) and new orders (44.5) indices, particularly export orders (38.5).

**Financial markets:** GCC markets were mostly negative amid the softening oil demand outlook. The MSCI-GCC shed 1.8% w/w led by Saudi (-2.3%) weighed down by Aramco shares, and Qatar (-2.3%). The Kuwait All-Share was down 0.8%.

#### Key takeaways:

- Strong US jobs and activity data add to confidence about the economic outlook and so long as the coronavirus outbreak does not hit US growth too much, the Fed is likely to maintain its 'cautious' policy stance and keep rates on hold.
- Solid if slowing growth in Kuwaiti employment in 3Q19 is a further indication of the decent climate for consumer spending. But increased reliance upon public sector hiring is a reminder of the reforms needed to boost the private sector's role.
- PMIs for the MENA region all weakened markedly in January amid reports of softer demand. Although not yet directly visible in the data, growth concerns may be amplified by the coronavirus's impact on oil prices and trade.

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	3,900	-2.6	-4.8
DAX	13,514	4.1	2.0
DJIA	29,103	3.0	2.0
Eurostoxx 50	3,798	4.3	1.4
FTSE 100	7,467	2.5	-1.0
Nikkei 225	23,828	2.7	0.7
S&P 500	3,328	3.2	3.0
<b>Regional</b>			
Abu Dhabi SM	5,087	-1.3	0.2
Bahrain ASI	1,656	-0.1	2.8
Dubai FM	2,770	-0.7	0.2
Egypt EGX 30	14,106	1.3	1.0
MSCI GCC	548	-1.8	-3.4
Kuwait SE	6,276	-0.8	-0.1
KSA Tadawul	8,053	-2.3	-4.0
Muscat SM 30	4,129	1.2	3.7
Qatar Exchange	10,205	-2.3	-2.1

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.58	5.8	-33.3
Bunds 10 Year	-0.38	6.0	-19.5
Gilts 10 Year	0.57	4.3	-25.5
JGB 10 Year	-0.04	2.5	-1.6
<b>Regional</b>			
Abu Dhabi 2022	1.85	-5.4	-18.9
Dubai 2022	2.39	-3.4	-7.3
Qatar 2022	1.91	4.6	-14.9
Kuwait 2022	1.76	-12.7	-29.9
KSA 2023	2.11	19.9	-19.0
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	54.5	-6.3	-17.5
KEC	56.1	-6.1	-18.0
WTI	50.3	-2.4	-17.6
Gold	1568.6	-0.9	3.2

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.58	-8.3	-8.3
Kibor - 3 month	2.75	0.0	0.0
Qibor - 3 month	2.30	-0.3	4.8
Eibor - 3 month	1.96	-10.9	-24.5
Saibor - 3 month	2.16	-2.0	-7.3
Libor - 3 month	1.73	-2.9	-17.4
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.1	0.4
KWD per EUR	0.334	0.0	0.2
USD per EUR	1.094	-1.4	-2.4
JPY per USD	109.7	1.2	1.0
USD per GBP	1.289	-2.3	-2.8
EGP per USD	15.73	-0.1	-1.7

Updated on 7/2/2020

Source: Refinitiv

### International equity markets

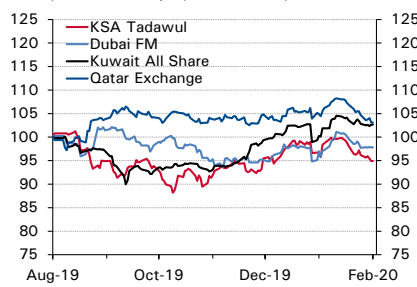
(rebased, 31 July 2019=100)



Source: Refinitiv

### GCC equity markets

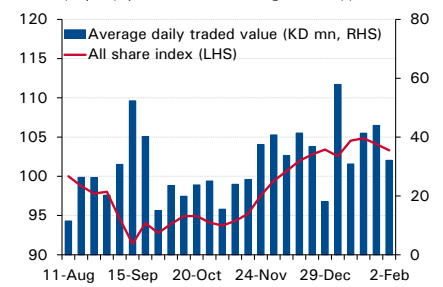
(rebased, 31 July 2019=100)



Source: Refinitiv

### Bursa Kuwait

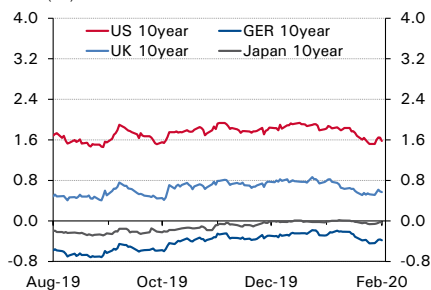
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

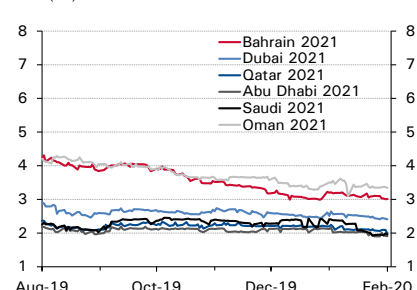
(%)



Source: Refinitiv

### GCC bond yields

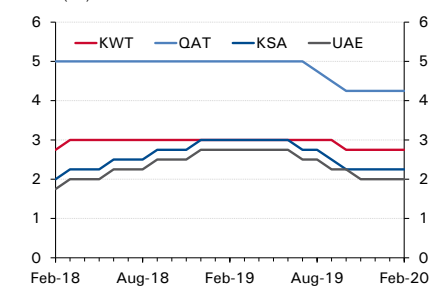
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv