Weekly Economic and Markets Review

NBK Economic Research Department I 22 November 2020

International & MENA

International

US: Initial jobless claims rose slightly to 742,000 in the w/e November 14 (711,000 a week earlier), which is still very high but the second lowest of the pandemic period. Still, the insured unemployment rate (produced with a one-week lag) fell to 4.3% versus a pre-crisis 1.2% in mid-March. Meanwhile, retail sales got off to a moderate start in Q4, rising a below-consensus 0.3% m/m and 5.1% y/y. Spending could soften further ahead as virus-linked restrictions are re-imposed. Finally, the Treasury decided not to renew some of the Federal Reserve's pandemic era support programs including its Main Street Lending facility, which have not been fully utilized but the Fed argues they should not be wound down too quickly in case they are needed.

China: Industrial output and retail sales continued their growth momentum in October, rising by 6.9% y/y and 4.3%, respectively, cementing the country's place as a global outlier amid the resurgent pandemic. China sold its first negative-yielding, euro-denominated bonds, worth €4 billion.

Japan: GDP growth clocked in at 5% q/q in 3Q20 (-8.2% in Q2), driven by rebounds in private consumption (4.7%) and exports (7%), but investment fell (-3.4%). Japan was among 15 Asia-Pacific countries to sign the Regional Comprehensive Economic Partnership, a trade agreement that extends the 10-member ASEAN free trade pact and which covers a third of the world's population and output. The deal could add $200 billion annually to global GDP by 2030 and sees tariffs eliminated on at least 92% of traded goods.

Financial markets: Global equities were mixed as ongoing positive vaccine developments were countered by record-high virus infections in many countries with the S&P 500 decreasing by 0.8% w/w, while markets elsewhere were slightly positive. China's CSI 300 index increased by 1.8%, Europe's Euro Stoxx 50 rose 1%, while Japan's Nikkei 225 edged up 0.6%.

Oil: Vaccine optimism propelled oil prices to a third consecutive weekly gain, with Brent rising 5.1% w/w to $45.0/bbl, its highest since September 1. A US petroleum product draw of 11 mb and a first oil rig count decline (-5 to 231) in two months also helped bolster sentiment.

MENA Region

Kuwait: Public finance figures for 1Q FY20/21 showed a fiscal deficit of KD1.1 billion (14% of estimated pro-rated GDP) after oil revenues fell 72% y/y to KD1.4 billion. Total spending, on the other hand, fell 20% to KD2.5 billion on declines in both current (-65%) and capital expenditures (-16%). Meanwhile in 1Q20, the external current account registered a small surplus of KD0.4 billion (4.3% of Q1 GDP). As well as lower oil revenues, investment income from abroad was down.

Saudi Arabia: The authorities raised the minimum monthly wage for Saudis by 33% to SAR4,000 ($1,067). Inflation inched up to 5.8% y/y in October from 5.7% in September. This was driven mainly by an increase in food and beverage prices (+13%) and a rise in 'miscellaneous' costs (+6.9%). Meanwhile G20 Summit is currently (21-22 November) being held virtually, chaired by Saudi Arabia, and with an agenda including the coronavirus, global economy and environmental issues.

UAE: The central bank extended parts of the Targeted Economic Support Scheme (zero cost facility of AED50 billion) for six additional months to facilitate banks' liquidity management through zero cost collateralized lending.

Egypt: According to the minister of finance, the draft budget for FY21/22 aims to reduce the budget deficit to 6.5% of GDP versus the 6.3% of GDP targeted in the FY20/21 budget. The government is also targeting slashing its debt from 87% of GDP in FY19/20 to about 77% of GDP by FY23/24.

Financial markets: GCC markets were mostly positive as the MSCI GCC index increased by 0.8% w/w led by Dubai (+2.4%) and KSA (+1.7%), while Kuwait's All-Share index inched up by 0.2%. Qatar bucked the trend, falling by 1% w/w.

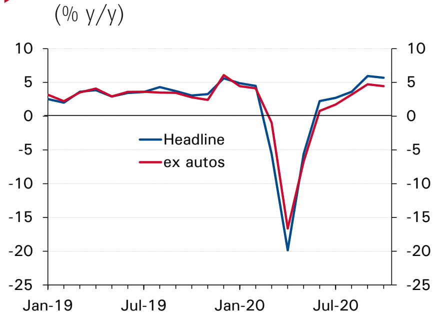
Key takeaways:

- While US economic data remain quite solid, various clouds remain on the horizon including high virus cases, a possibly rocky transition to a new presidential team, lack of consensus over a new stimulus deal and now the withdrawal of certain Fed support programs. These could dent the recovery in 1Q21.
- OPEC+ will likely extend its output cuts in January for at least three months, amid risks from the sharp increase in US virus cases. But given the now three-week long oil price rally, there is a small possibility that the group could decide to increase output but by less than the scheduled 6%.
- Kuwait's fiscal deficit in Q1 was smaller than expected, but data volatility in the early months of the year makes it difficult to draw strong conclusions. Soft revenues and the traditional pick-up in spending - including capex as pandemic delays ease – will push the deficit higher in subsequent quarters.

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

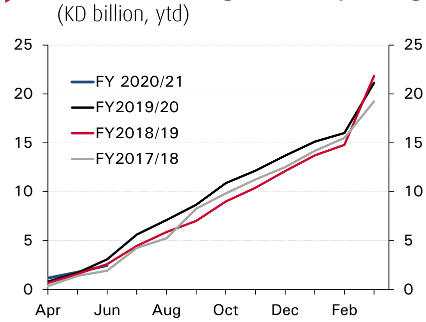
Source: Refinitiv

Chart 2: US retail sales
(% y/y)



Source: Refinitiv

Chart 3: Kuwait gov'ment spending
(KD billion, ytd)



Source: Ministry of Finance

Key data

Stock markets	Index	Change (%) 1-week	Change (%) YTD
International			
CSI 300	4,943	1.8	20.7
DAX	13,137	0.5	-0.8
DJIA	29,263	-0.7	2.5
Eurostoxx 50	3,468	1.0	-7.4
FTSE 100	6,351	0.6	-15.8
Nikkei 225	25,527	0.6	7.9
S&P 500	3,558	-0.8	10.1
Regional			
Abu Dhabi SM	4,914	1.2	-3.2
Bahrain ASI	1,452	0.2	-9.8
Dubai FM	2,316	2.4	-16.2
Egypt EGX 30	10,899	-1.1	-21.9
MSCI GCC	539	0.8	-5.0
Kuwait SE	5,527	0.2	-12.0
KSA Tadawul	8,578	1.7	2.3
Muscat SM 30	3,628	0.0	-8.9
Qatar Exchange	10,108	-1.0	-3.0

Bond yields	%	Change (bps) 1-week	Change (bps) YTD
International			
UST 10 Year	0.83	-6.4	-108.1
Bunds 10 Year	-0.58	-3.6	-39.7
Gilts 10 Year	0.30	-3.7	-52.2
JGB 10 Year	0.01	-1.5	3.2
Regional			
Abu Dhabi 2022	0.56	-2.3	-148.0
Dubai 2022	0.60	-15.4	-186.9
Qatar 2022	0.68	2.3	-138.2
Kuwait 2022	0.65	-4.9	-141.2
KSA 2023	0.88	3.7	-142.4

Commodities	$/unit	Change (%) 1-week	Change (%) YTD
Brent crude	45.0	5.1	-31.9
KEC	43.81	2.53	-35.90
WTI	42.2	5.0	-31.0
Gold	1872.6	-0.7	23.2

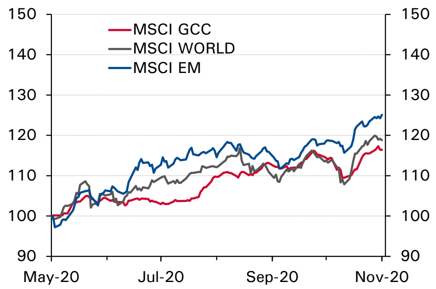
Interbank rates	%	Change (bps) 1-week	Change (bps) YTD
Bhibor - 3 month	2.25	0.0	-41.7
Kibor - 3 month	1.38	0.0	-137.5
Qibor - 3 month	1.02	4.7	-123.0
Eibor - 3 month	0.43	-2.3	-178.0
Saibor - 3 month	0.84	-0.2	-139.5
Libor - 3 month	0.21	-0.8	-169.6

Exchange rates	rate	Change (%) 1-week	Change (%) YTD
KWD per USD	0.306	0.0	0.9
KWD per EUR	0.363	0.0	9.1
USD per EUR	1.185	0.2	5.7
JPY per USD	103.9	-0.7	-4.4
USD per GBP	1.328	0.7	0.2
EGP per USD	15.55	-0.3	-2.8

Updated on 20/11/2020 Source: Refinitiv

International equity markets

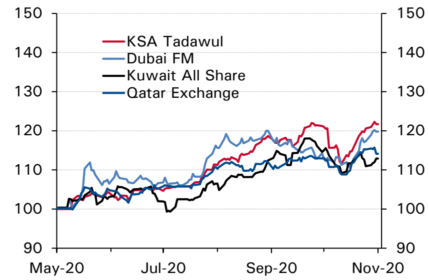
(rebased, 20 May 2020=100)



Source: Refinitiv

GCC equity markets

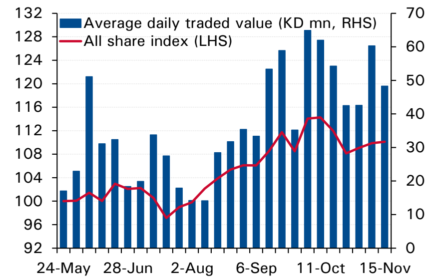
(rebased, 20 May 2020=100)



Source: Refinitiv

Boursa Kuwait

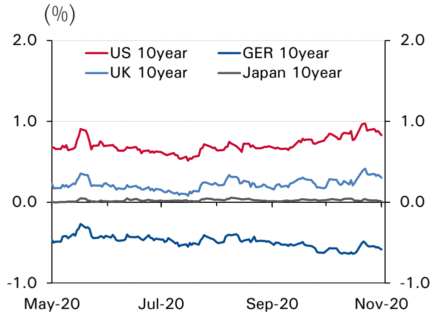
(equity prices and trading activity)



Source: Refinitiv

International bond yields

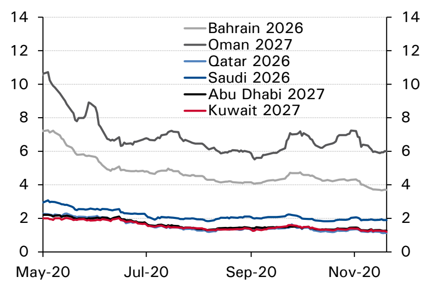
(%)



Source: Refinitiv

GCC bond yields

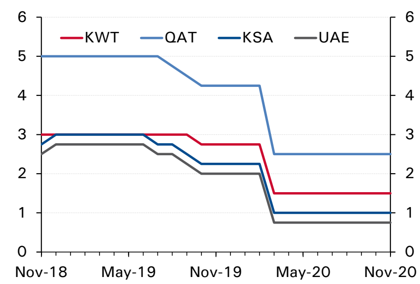
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv