

International

Global: The IMF warned in its latest World Economic Outlook of the continued downside risks to global growth from trade tensions, shocks to the European economy, the slowdown in China and high debt. It lowered its forecast for global growth this year to 3.3% from 3.5% in January, which was already lower than its projections from October. However, the IMF struck a more positive note at the end of the Spring Meetings indicating that global growth was likely to "firm up" in coming months, leading to an improved outlook in 2020.

US: Minutes from the Fed's March meeting were slightly more hawkish than expected, with members hinting that rates could still rise this year if economic growth were above trend. Meanwhile consumer price inflation for March rose to 1.9% y/y from 1.5% in February, driven by higher energy costs linked to oil prices. The core rate however ticked down to 2.0%, suggesting that underlying price pressures may in fact be softening. Finally trade tensions between the US and the EU ratcheted up following President Trump's threat to impose tariffs on \$11 billion of EU products in response to unfair subsidies to European plane maker Airbus. The EU has threatened to retaliate.

Financial markets: International markets saw only modest gains, with the MSCI AC world up 0.3% w/w led by the S&P500 which rose 0.5%, while the Eurostoxx 50 was flat. US 10 year treasury yields rose 6 bps to 2.56%.

Oil: Brent rose 1.7% w/w to \$71.6/bbl, benefitting from tighter supplies, conflict in Libya and a sizeable US gasoline drawdown. OPEC output in March fell by 534 kb/d to 30 mb/d on sizeable cuts by Saudi Arabia (-293 kb/d to 9.8 mb/d) and falls in Iraq and Venezuela. The IEA noted that oil demand could falter due to a weaker global economy.

MENA Region

Kuwait: Credit growth rose to 5.3% y/y in February from 5.0% in January, supported by higher lending to businesses at 6.2%. Housing loan growth eased to a still-solid 5.9% but consumer loans rose 3.9% to its best in over four years, possibly benefiting from the central bank's recent loosening of lending restrictions. Total deposit growth decelerated to 2.3% from 4.2% in January due to a large decline in government deposits. Separately, the ARA consumer confidence index

softened to 103 in March from 108 in February.

UAE: Dubai's FDI inflows increased by 41% to \$10.5 billion in 2018, perhaps helped by the business-friendly measures announced last year including on visa issuance and the lifting on caps on foreign ownership of local businesses. Meanwhile consumer price inflation in the UAE fell deeper into deflationary territory in February at -2.5% y/y versus -2.4% in January, as food and housing costs fell at a faster pace.

Saudi Arabia: The IMF maintained its forecast for Saudi economic growth in 2019 and 2020 at 1.8% and 2.1%, respectively. Saudi Aramco sold \$12 billion of international bonds across five tranches in the most heavily oversubscribed emerging market bond issuance ever (\$100 billion). Significantly, Aramco was able to secure lower rates than its sovereign (by 12.5 bps) with a \$3 billion 10-year bond, for example, priced at 105 bps over US treasuries.

Egypt: The IMF forecast Egyptian GDP growth of 5.5% this year, unchanged from its October estimate, and 5.9% in 2020, while its forecast for inflation this year edged up to 14.5% (from 14% in October's projection), easing to 12.3% in 2020. The budget deficit is expected to decline to 6.5% of GDP by FY2019/20, from 9.5% in FY 2017/18.

Financial markets: Regional markets slightly outperformed global peers, with the MSCI GCC up 0.4% w/w. Gains were led by Bahrain (1.4%) and Oman (1.1%), while the Saudi market rose only 0.3% w/w, weighed by ex-dividend stocks. The Kuwait All-Share index edged up 0.2%.

Key takeaways:

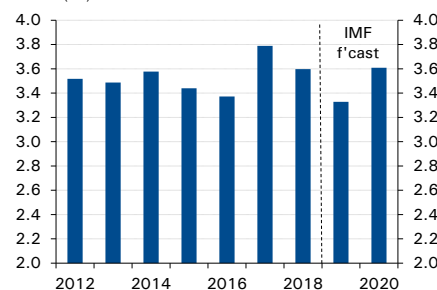
- The prospect of fresh US-EU tariffs and the failure to as yet conclude a US-China trade deal underlines the ongoing risk to the global economy from trade tensions, reiterated by the IMF.
- The acceleration in Kuwait's credit growth to a more than two-year high has been driven by gains in lending to both consumers and businesses and provides some grounds for optimism on economic growth this year.
- The IMF's projections for Egyptian growth, inflation and the fiscal position in FY19/20 may later be revised given recent salary and pension rises as well as the projected increase in oil prices, which will lift inflation, hit consumption and increase the current account deficit.

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



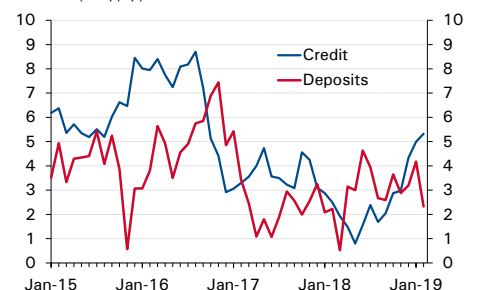
Source: Thomson Reuters Datastream

▶ **Chart 2: World GDP** (%)



Source: IMF WEO, April 2019

▶ **Chart 3: Kuwait credit and deposits** (% y/y)



Source: Thomson Reuters Datastream

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,989	-1.8	32.5
DAX	12,000	-0.1	13.6
DJIA	26,412	0.0	13.2
Eurostoxx 50	3,448	0.0	14.9
FTSE 100	7,437	-0.1	10.5
Nikkei 225	21,871	0.3	9.3
S&P 500	2,907	0.5	16.0
Regional			
Abu Dhabi SM	5,052	0.4	2.8
Bahrain ASI	1,438	1.4	7.6
Dubai FM	2,790	0.5	10.3
Egypt EGX 30	15,106	-0.9	15.9
S&P GCC 40	1,175	0.4	6.8
Kuwait SE	5,742	0.2	13.0
KSA Tadawul	9,088	0.3	16.1
Muscat SM 30	3,984	1.1	-7.9
Qatar Exchange	10,259	0.7	-0.4

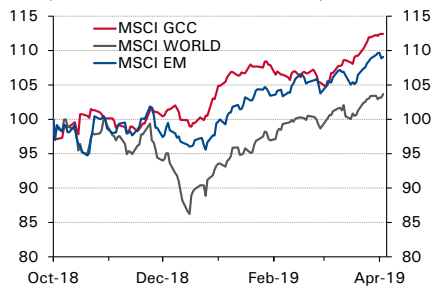
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.56	6.1	-13.1
Bunds 10 Year	0.06	5.1	-19.1
Gilts 10 Year	1.21	9.5	-5.7
JGB 10 Year	-0.05	-2.1	-5.5
Regional			
Abu Dhabi 2022	2.89	4.9	-40.9
Dubai 2022	3.56	-0.3	-36.8
Qatar 2022	3.04	1.2	-41.2
Kuwait 2022	2.94	15.2	-38.2
KSA 2023	3.32	20.5	-55.9
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	71.6	1.7	33.0
KEC	70.7	2.1	35.4
WTI	63.9	1.3	40.7
Gold	1290.6	0.0	1.0

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	3.62	-6.7	-33.3
Kibor - 3 month	2.69	0.0	37.5
Qibor - 3 month	2.88	-2.7	-2.7
Eibor - 3 month	2.90	-0.5	6.1
Saibor - 3 month	2.86	-0.5	-11.9
Libor - 3 month	2.60	0.8	-21.1
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	-0.1	0.3
KWD per EUR	0.342	0.3	-1.8
USD per EUR	1.130	0.8	-1.5
JPY per USD	112.0	0.3	2.2
GBP per USD	1.308	0.3	2.5
EGP per USD	17.27	0.1	-3.3

Updated on 12/4/2019 Source: Thomson Reuters Eikon

International equity markets

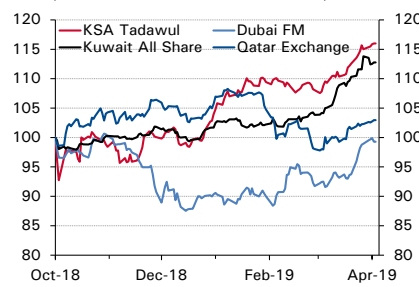
(rebased, 10 October 2018=100)



Source: Thomson Reuters Datastream

GCC equity markets

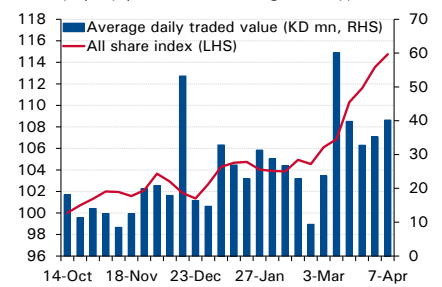
(rebased, 10 October 2018=100)



Source: Thomson Reuters Datastream

Boursa Kuwait

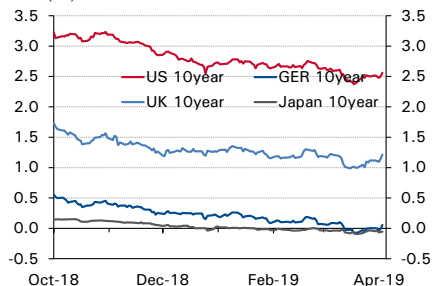
(equity prices and trading activity)



Source: Thomson Reuters Datastream

International bond yields

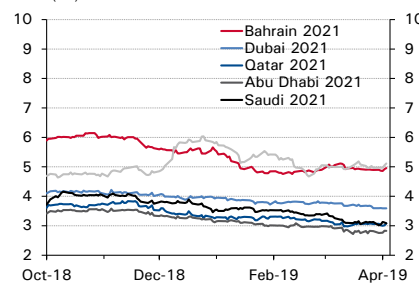
(%)



Source: Thomson Reuters Datastream

GCC bond yields

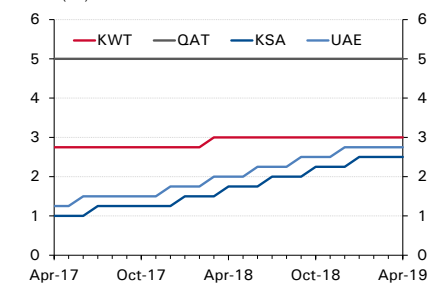
(%)



Source: Thomson Reuters Datastream

GCC key policy rates

(%)



Source: Thomson Reuters Datastream