

International

International: The IMF downgraded its forecasts for global growth again. It now sees GDP dropping 4.9% this year versus -3% in April, the largest contraction since the Great Depression. This includes large falls for the US (-8%), Eurozone (-10%) and very slow growth in China (+1%). Average oil prices are assumed at \$36/bbl this year. Growth is seen at 5.4% in 2021, with the Fund however stressing uncertainties surrounding the length of the pandemic, scarring effects and the ability of displaced workers to switch to new industries.

US: Initial jobless claims in the week-ending 20 June remained stubbornly high at 1.48 million (1.54 million a week earlier) and despite all states reopening to varying degrees, consumer spending rebounded 8% in May (still -9% y/y) boosted by partial business reopenings and spending on autos and recreation. Core PCE inflation was unchanged at 1.0% y/y.

Financial markets: Global equity markets were mostly negative last week on renewed virus concerns, despite some progress on the reopening of economies. The MSCI AC World lost 2% led by a 3.3% decline in the DJIA. The riskier environment pushed the US 10-year treasury yield down 7 bps to 0.64%, the lowest in 6 weeks. Most GCC markets fell on virus concerns. The MSCI GCC lost 1% led by a 1.7% decline in Saudi, while Kuwait's All-Share index outperformed, up 2.9% as MSCI confirmed the exchange's upgrade to EM status in November.

Oil: Oil prices ranged lower as markets grew more concerned about the surge in Covid-19 infections in post-lockdown US states. Brent dropped 2.8% w/w to \$41.2/bbl, with the pace of oil demand recovery once more in doubt.

MENA Region

Kuwait: Following solid growth in March, credit growth softened to 0.4% m/m in April resulting in a 5.6% y/y growth. Growth in business lending was a relatively strong 0.8% m/m and 7% y/y, driven by the trade sector. Household credit was muted in April, with the y/y increase at a multi-year low of 2.9%. The expansion in personal consumption loans weakened to 24% y/y, the slowest yearly growth since July 2019.

Saudi Arabia: The IMF revised Saudi growth in 2020 down sharply to -6.8% (-2.3% before) including due to oil production cuts. Meanwhile, inflation eased to 1.1% y/y in May from 1.3% in April, driven by an ongoing decrease in transport prices (-

3.8%). A steep rise in food inflation to 7% in May from 2.2% in 2019 has been a main reason for the pick-up in inflation so far this year as well as less drag from housing rents. Finally, imports in April tumbled 28% y/y, while non-oil exports fell 35%.

UAE: The government has lifted its coronavirus-related curfew. Meanwhile, Moody's affirmed the long-term ratings of eight UAE-based banks, though changed the outlook to negative from stable on their long-term ratings, reflecting the potential weakening in their credit profiles amid a challenging operating environment. Finally, ADNOC signed a \$10 billion gas infrastructure deal with a consortium of investors, backed by an \$8 billion bridge loan provided by 17 banks.

Oman: The government posted a fiscal surplus of OMR134 million in January-April of this year (1.5% of pro-rated Q1 GDP). This compares to a deficit of OMR133 million for the same period last year, mainly on lower spending (-8% ytd) on civil ministries by nearly 48% y/y. Moody's downgraded Oman's sovereign rating to 'Ba3' and changed its outlook to 'negative', citing the lower oil price environment.

Egypt: The central bank kept its various interest rates on hold (ranging from 9.25% to 10.25%). Egypt has now the second highest real rate in the world (after Malaysia). Meanwhile, the trade deficit decreased 35% y/y to \$9.8 billion during the first four months of 2020, supported by lower non-oil imports (-24%). The IMF Board approved a \$5.2bn Standby arrangement with Egypt last Friday to help it cope with the pandemic and preserve macroeconomic stabilization.

Key takeaways:

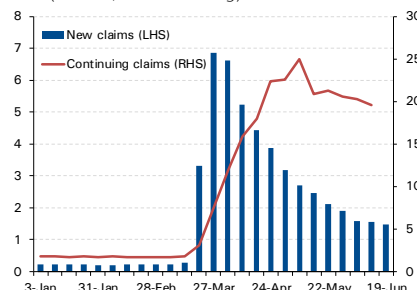
- The downgrading of the IMF's already historically weak global growth forecasts was unsurprising, and came with a warning on continued pervasive uncertainty and a rebound in financial markets that seems detached from economic fundamentals, risking a tightening of financial conditions that could jeopardize the recovery.
- Continued high US jobless claims may be being affected by the \$600/week boost to unemployment benefit, due to expire end July. Its potential withdrawal could see unemployment fall back, but also risks cutting household spending power.
- Business credit growth in Kuwait continues to hold up relatively well in the circumstances, possibly supported by the relaxation of liquidity and capitalization requirements by the CBK, loan instalment deferrals and the provision of emergency financing for customers impacted by the coronavirus.

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



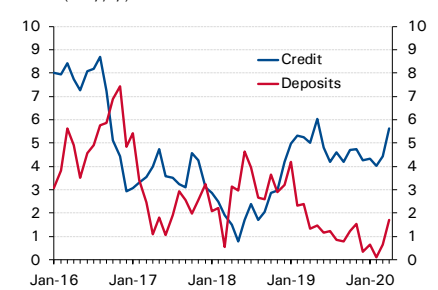
Source: Refinitiv

▶ **Chart 2: US jobless claims** (million, week ending)



Source: Refinitiv

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



Source: Refinitiv

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,139	1.0	1.0
DAX	12,089	-2.0	-8.8
DJIA	25,016	-3.3	-12.3
Eurostoxx 50	3,204	-2.0	-14.4
FTSE 100	6,159	-2.1	-18.3
Nikkei 225	22,512	0.1	-4.8
S&P 500	3,009	-2.9	-6.9
Regional			
Abu Dhabi SM	4,286	-1.4	-15.6
Bahrain ASI	1,279	0.4	-20.5
Dubai FM	2,087	0.4	-24.5
Egypt EGX 30	10,890	0.3	-22.0
MSCI GCC	479	-1.0	-15.5
Kuwait SE	5,168	2.9	-17.7
KSA Tadawul	7,232	-1.7	-13.8
Muscat SM 30	3,526	0.3	-11.4
Qatar Exchange	9,185	-1.5	-11.9

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	0.64	-6.1	-127.2
Bunds 10 Year	-0.48	-6.2	-29.1
Gilts 10 Year	0.17	-6.5	-65.3
JGB 10 Year	0.01	-0.1	3.3
Regional			
Abu Dhabi 2022	1.04	-6.3	-100.1
Dubai 2022	1.71	-7.3	-76.0
Qatar 2022	1.08	-11.6	-97.9
Kuwait 2022	0.98	-8.5	-107.9
KSA 2023	1.40	-7.3	-89.5
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	41.0	-2.8	-37.8
KEC	36.5	-3.1	-46.6
WTI	38.5	-3.2	-37.0
Gold	1772.5	1.5	16.7

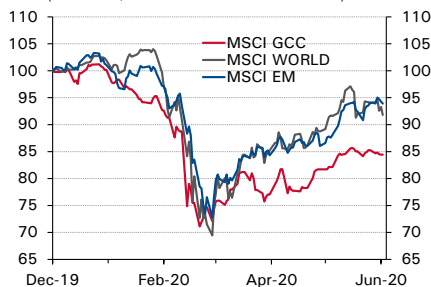
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhivor - 3 month	2.25	0.0	-41.7
Kibor - 3 month	1.69	0.0	-106.3
Qibor - 3 month	1.06	-17.7	-118.8
Eibor - 3 month	0.76	11.6	-144.8
Saibor - 3 month	0.99	-2.1	-123.9
Libor - 3 month	0.31	0.0	-160.2
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.308	0.0	1.6
KWD per EUR	0.350	0.0	5.0
USD per EUR	1.122	0.4	0.1
JPY per USD	107.2	0.3	-1.3
USD per GBP	1.233	-0.2	-7.0
EGP per USD	16.11	-0.1	0.7

Updated on 26/6/2020

Source: Refinitiv

International equity markets

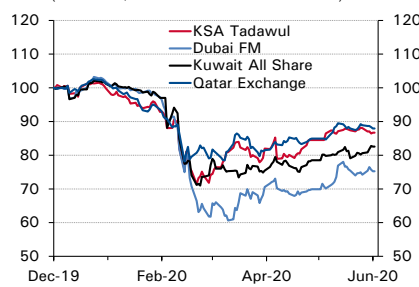
(rebased, 25 December 2019=100)



Source: Refinitiv

GCC equity markets

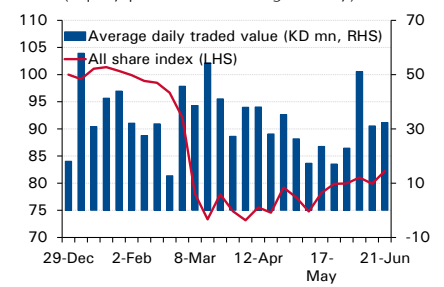
(rebased, 25 December 2019=100)



Source: Refinitiv

Bursa Kuwait

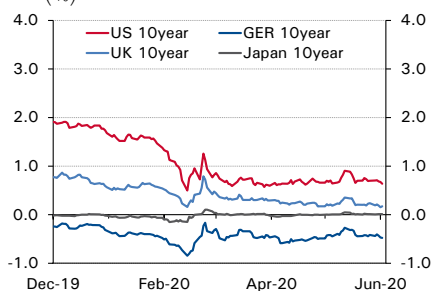
(equity prices and trading activity)



Source: Refinitiv

International bond yields

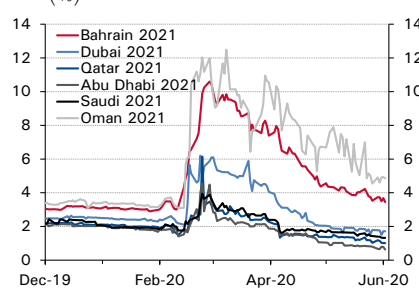
(%)



Source: Refinitiv

GCC bond yields

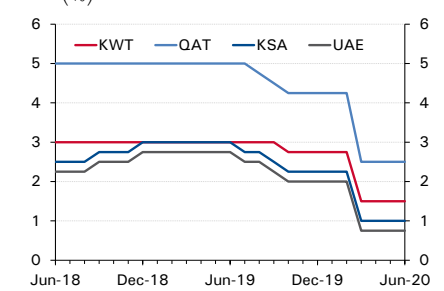
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv