

## International and markets

**US:** News surrounding the economic recovery remained positive. The flash composite PMI activity index rose to a series high of 62.2 in April, with looser restrictions and strong demand driving historic gains in both services and manufacturing. However, capacity pressures, supply chain disruptions and rising raw material costs pushed output price rises to a record high. New jobless claims fell to a post-pandemic low of 547,000 in the w/e April 17, and new home sales surged 21% m/m in March despite rising mortgage rates. President Biden laid out plans for big increases in capital gains tax for wealthy Americans in order to fund more spending on education and welfare.

**Europe:** The European Central Bank left policy on hold as expected (discount rate at -0.5%, total PEPP asset purchases of €1.85 trillion), acknowledging that financing conditions have been steady since the previous meeting but that the near-term economic outlook remains uncertain due to conflicting forces of a resurgent pandemic and accelerating vaccinations. The flash composite Eurozone PMI however edged up to a nine-month high of 53.7 in March, highlighting improving resilience to lockdown measures and optimism over recovery prospects.

**China:** The central bank has left its benchmark interest rates unchanged (1-year 3.85%, 5-year 4.65%) for corporate and household loans. However, to avoid an overheating, policymakers are tightening credit by direct targeting of some sectors, most notably the property sector. Meanwhile, the unemployment rate fell to 5.3% in March from 5.5% in February.

**Financial markets:** Global equity markets were mostly negative, ending a multi-week winning streak as the US announced plans for raising capital gains tax. The MSCI AC world lost 0.3% w/w led by the DJIA and Euro Stoxx 50 (-0.5%) with weekly losses curbed by stronger US macroeconomic data. GCC markets were mostly positive, with the MSCI GCC up 0.9% led by Saudi Arabia (1.5%) and Kuwait (1.3%).

**Oil:** Brent fell 1.0% w/w to \$66.1/bbl (+4.0% mtd; +27.6% ytd) by Friday's close, with worries over oil demand in India amid record daily coronavirus infections outweighing positive economic data from Europe and the US. India is the world's third largest oil importer, and with lockdowns reintroduced in much of the country, gasoline and diesel, refining is expected to plunge by as much as 20% y/y in April.

## MENA Region

**Kuwait:** The government has asked parliament to pass the debt law with a KD20 bn ceiling to resolve its short-term liquidity constraints. Meanwhile, the audit bureau called on parliament to establish a cash fund for emergencies, funded annually from state revenues, to reduce budget imbalances. International trade in goods increased by 5.8% q/q in 4Q20 driven mainly by a rise in imports of 13.6% while exports remained relatively stable, edging up only 0.7%.

**Saudi Arabia:** The National Center for Privatization & PPP announced the privatization of the remaining two flour-milling companies at SAR3 bn. This completed the privatization of the four flour-milling companies, raising SAR5.8 bn.

**UAE:** The central bank extended the zero-cost loan facility (AED50 bn) until end-June 2022 to boost lending for sectors affected by the pandemic, while the bank's financing for loan deferrals under the Targeted Economic Support Scheme (TESS) will be extended to end-2021.

**Egypt:** The government raised domestic fuel prices by EGP 0.25 for the first time since October 2019, following the completion of subsidy reforms. Meanwhile, the central bank allowed banks to issue electronic currencies provided that each coin equals one Egyptian pound. The bank also announced controls on lending and mobile transfers, putting a maximum limit to borrow and raising daily withdrawal and transfer limits for mobile transactions.

### Key takeaways:

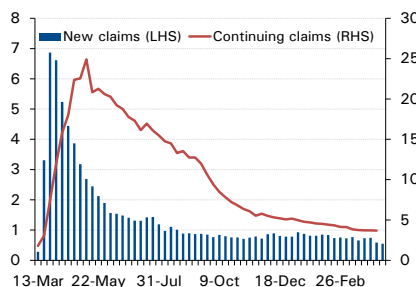
- The planned increase in capital gain taxes in the US could hit the financial markets hard if investors exit before the new tax takes effect, or if it is not pared back by Congress.
- The ECB's is now in wait-and-see mode having accelerated the pace of bond purchases recently. The next pivotal meeting could be in June, when it will present new economic forecasts. Like the Fed, it may come under pressure to scale back its support policies early if the economic recovery looks secure.
- The draft debt law has been with Kuwait's parliament since 2017, but passing it now has gained urgency to resolve liquidity constraints as low oil prices and pandemic fallout has strained public finances. Passing the debt law at a time of low global interest rates is preferable to using FGF resources.
- With inflation steady at 4.5% in March, Egypt's central bank could leave its policy rates unchanged at its meeting on April 29. Maintaining relatively high interest rates will support capital inflows and avoid any sudden reversals.

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



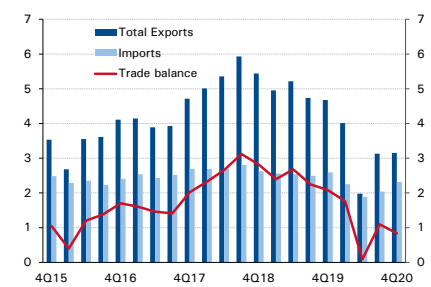
Source: Refinitiv

▶ **Chart 2: Jobless claims** (Thousand persons)



Source: Refinitiv

▶ **Chart 3: Kuwait trade in goods** (KD billion)



Source: Central Statistical Bureau (CSB)

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	5,135	3.4	-1.5
DAX	15,280	-1.2	11.4
DJIA	34,043	-0.5	11.2
Eurostoxx 50	4,013	-0.5	13.0
FTSE 100	6,939	-1.2	7.4
Nikkei 225	29,021	-2.2	5.7
S&P 500	4,180	-0.1	11.3
<b>Regional</b>			
Abu Dhabi SM	6,102	-0.5	20.9
Bahrain ASI	1,486	0.7	-0.2
Dubai FM	2,626	-0.3	5.4
Egypt EGX 30	10,600	4.5	-2.3
MSCI GCC	629	0.9	15.0
Kuwait SE	6,029	1.3	8.7
KSA Tadawul	10,134	1.5	16.6
Muscat SM 30	3,719	0.3	1.7
Qatar Exchange	10,845	-0.5	3.9

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.57	-0.6	65.5
Bunds 10 Year	-0.26	0.5	31.8
Gilts 10 Year	0.75	-2.0	54.9
JGB 10 Year	0.07	-1.9	4.8
<b>Regional</b>			
Abu Dhabi 2022	0.35	-11.1	-15.4
Dubai 2022	0.67	-12.7	47.1
Qatar 2022	0.25	-9.8	-27.5
Kuwait 2022	0.74	31.6	27.9
KSA 2023	0.70	-1.9	-1.9
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	66.1	-1.0	27.6
KEC	64.0	-3.2	26.3
WTI	62.1	-1.6	28.1
Gold	1777.0	-0.1	-6.1

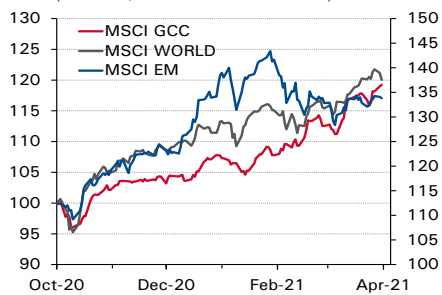
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.29	3.7	-96.3
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.14	2.5	2.2
Eibor - 3 month	0.36	-0.1	-15.6
Saibor - 3 month	0.80	0.0	-2.0
Libor - 3 month	0.18	-1.4	-6.3
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.301	-0.2	-1.0
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.210	1.0	-0.9
JPY per USD	107.9	-0.8	4.5
USD per GBP	1.387	0.3	1.5
EGP per USD	15.67	0.3	-0.1

Updated on 23/4/2021

Source: Refinitiv

### International equity markets

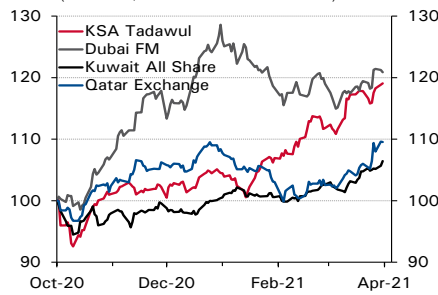
(rebased, 21 October 2020=100)



Source: Refinitiv

### GCC equity markets

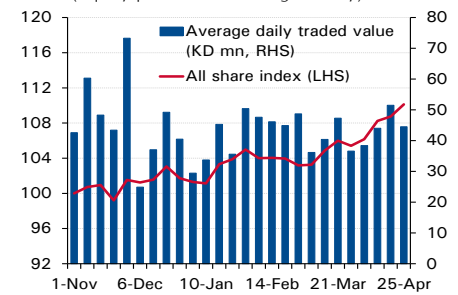
(rebased, 21 October 2020=100)



Source: Refinitiv

### Boursa Kuwait

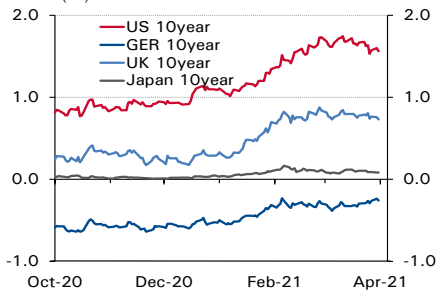
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

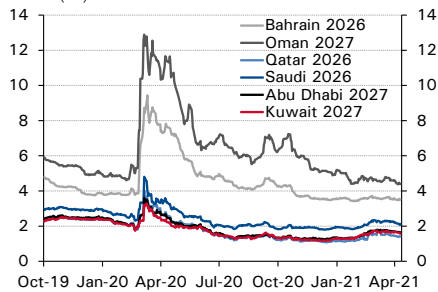
(%)



Source: Refinitiv

### GCC bond yields

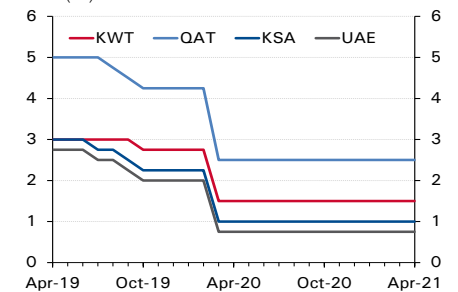
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv