

International

US: Following President Joe Biden's inauguration, Democrats in Congress look set to push for an early vote on his proposed \$1.9 trillion stimulus package, which includes new individual checks and extended unemployment benefits. Though given the tight congressional voting arithmetic, passage of the full deal is not guaranteed. In a light week for economic data, US jobless claims eased back slightly to 900,000 for the w/e January 16, having spiked to 926,000 a week earlier, but nevertheless remain very high. The narrow 'insured' unemployment rate – released with a one-week lag – was steady at 3.6% versus a pre-crisis level of 1.2% (and current 6.7% on the broader monthly measure).

EU: The ECB as expected left its monetary policy on hold (deposit rate -0.5%, total PEPP asset purchases of €1.85 trillion until well into 2022) and promised to keep financing conditions 'favorable' to support the recovery. Although no major policy shifts are likely in the near future, the bank remains under pressure due to the weak outlook for growth amid current lockdowns, record-low core inflation of 0.2% in recent months and the climb in the euro to \$1.22/€1 (+10% y/y), which is adding to disinflationary forces.

China: GDP expanded by 6.5% y/y in 4Q20 and 2.3% for 2020, driven by strong industrial production (+7.1%) in response to surging demand for exports and underpinned by investment spending. Domestic consumption lagged, however, rising by 4.6% in 4Q but falling 3.9% in 2020. The full year growth rate, which although the slowest since the 1970s, leaves China as the only major economy to have expanded last year.

Financial markets: Global stocks mostly rallied despite a resurgence of virus and stimulus uncertainty later in the week. The MSCI AC world gained 1.5% w/w led by emerging markets (MSCI EM + 2.8%) while the S&P500 rose 1.9% w/w. European stocks were little changed amid ECB downbeat growth comments.

Oil: Brent closed down at \$55.4/bbl on Friday, dropping 1.2% d/d as US crude supplies gained (+4.4 mb to 486.6 mb and 9.3% above the 5-yr avg. in the w/e 15 Jan) for the first time in 5 weeks and as the US dollar strengthened. Brent was still up 0.6% w/w, though. Still, in a sign that oil demand is picking up, US refiners processed the most crude since last March (14.76 mb/d), spurred on by better-than-expected demand for gasoline. The IEA last week downgraded its global oil demand

growth estimate for 2021 by 300 kb/d to 5.5 mb/d. 2021 oil demand should reach 96.9 mb/d, still +3 mb/d below pre-pandemic levels.

MENA Region

Kuwait: The fiscal deficit widened to KD 5.4 billion in the first 9M FY20/21 (April to December), driven by low oil revenues which declined by 49% y/y, while total spending plummeted by 10.1% as most of its components witnessed a notable decline. Capital spending was down 27%.

Saudi Arabia: The General Authority of Civil Aviation launched an initiative to nationalize around 10,000 jobs in 28 different professions in the air transport sector. Meanwhile, the Ministry of Finance "Projects Support Fund" is reviewing more than 100 large local projects, having already granted credit approvals to more than 30 projects totaling SAR 14 billion.

UAE: Domestic credit eased to 3.2% y/y in November as credit to the private sector declined by -2.0% y/y and pointing to a softer recovery in the non-oil sector.

Egypt: The budget deficit dropped to 3.6% of GDP in 1H of FY20/21 (July-December), from 4.1% of GDP in the same period a year ago, while debt service fell by 8% to \$15.6 billion during the same period on the back of low interest rates and the diversification of revenue sources.

Financial markets: GCC stocks were mixed but little changed overall. The MSCI GCC index rose a modest 0.2% w/w, weighed down by Saudi Arabia (-0.2%) despite strong gains in Abu Dhabi (6.5%), while Kuwait's All-Share rose 0.5% w/w.

Key takeaways:

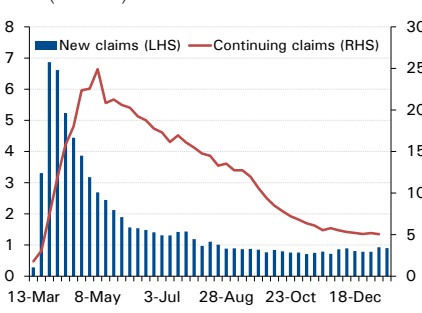
- New US president Joe Biden's giant stimulus package is likely to be passed by Congress in some form, but faces opposition from Republicans due to its size, the approval of a previous stimulus bill in December and given hope for the economic recovery as the vaccine rollout presses ahead.
- The pandemic is still posing serious risks to the Eurozone economy as lockdowns are tightened across the region and amid a relatively sluggish vaccine rollout so far. The ECB reaffirmed its loose policy stance but may be reluctant to ease further until the completion of its strategy review in the summer.
- Kuwait's fiscal deficit this year has so far come in a bit lower than expected amid weak capex but possibly also delays in reporting. With the expected pick-up in spending toward year-end, we forecast a full-year deficit of KD9-10 billion.

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



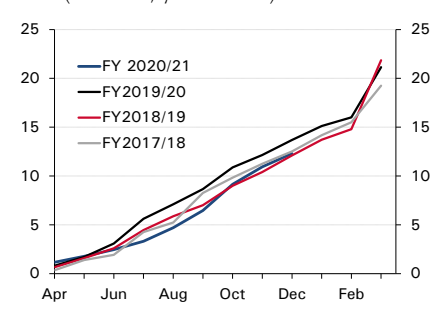
Source: Refinitiv

▶ **Chart 2: US weekly jobless claims** (millions)



Source: Refinitiv

▶ **Chart 3: Kuwait gov't spending** (KD billion, year-to-date)



Source: Ministry of Finance

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	5,570	2.0	6.9
DAX	13,874	0.6	1.1
DJIA	30,997	0.6	1.3
Eurostoxx 50	3,602	0.1	1.4
FTSE 100	6,695	-0.6	3.6
Nikkei 225	28,631	0.4	4.3
S&P 500	3,841	1.9	2.3
Regional			
Abu Dhabi SM	5,611	6.5	11.2
Bahrain ASI	1,453	-0.5	-2.5
Dubai FM	2,736	1.2	9.8
Egypt EGX 30	11,655	1.8	7.5
MSCI GCC	566	0.2	3.5
Kuwait SE	5,687	0.5	2.5
KSA Tadawul	8,876	-0.2	2.2
Muscat SM 30	3,748	3.0	2.4
Qatar Exchange	10,736	-1.6	2.9

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.09	-0.6	17.9
Bunds 10 Year	-0.51	2.9	6.2
Gilts 10 Year	0.31	2.1	11.3
JGB 10 Year	0.04	1.0	2.0
Regional			
Abu Dhabi 2022	0.58	6.2	8.3
Dubai 2022	0.64	9.4	44.4
Qatar 2022	0.53	-7.1	1.0
Kuwait 2022	0.66	7.1	20.3
KSA 2023	0.76	2.3	4.0
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	55.4	0.6	7.0
KEC	55.4	-0.38	9.4
WTI	52.3	-0.2	7.7
Gold	1855.7	1.4	-2.0

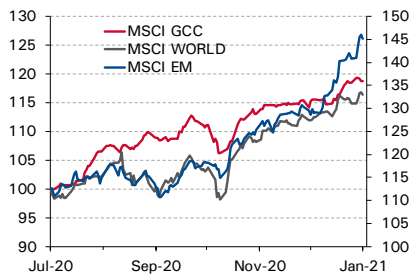
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.23	0.0	-1.7
Kibor - 3 month	1.44	0.0	0.0
Qibor - 3 month	1.13	-1.6	1.0
Eibor - 3 month	0.36	-3.8	-15.5
Saibor - 3 month	0.82	0.0	0.0
Libor - 3 month	0.22	-0.8	-2.1
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.302	-0.2	-0.5
KWD per EUR	0.363	0.0	0.0
USD per EUR	1.217	0.7	-0.4
JPY per USD	103.8	-0.1	0.5
USD per GBP	1.368	0.7	0.1
EGP per USD	15.68	0.4	-0.1

Updated on 22/1/2021

Source: Refinitiv

International equity markets

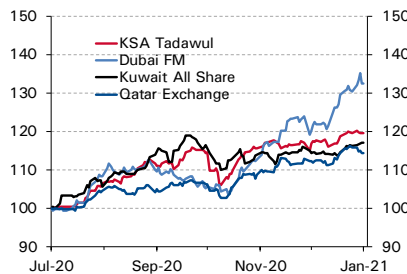
(rebased, 22 July 2020=100)



Source: Refinitiv

GCC equity markets

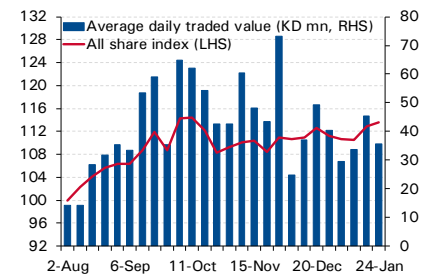
(rebased, 22 July 2020=100)



Source: Refinitiv

Bursa Kuwait

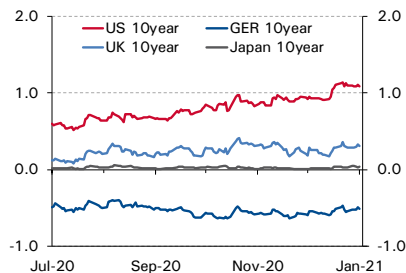
(equity prices and trading activity)



Source: Refinitiv

International bond yields

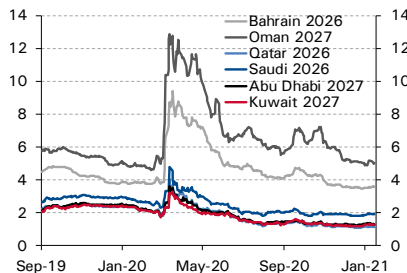
(%)



Source: Refinitiv

GCC bond yields

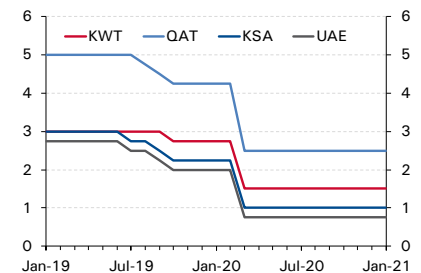
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv