

International and markets

US: GDP grew by a robust, annualized 6.4% in 1Q21, helped by reopening, huge stimulus measures and pent-up demand. This was close to expectations and further evidence of the ongoing, private consumption (10.7%) and investment (10.1%)-driven recovery. Personal incomes surged 21% m/m in March due to the stimulus checks, but spending rose 'only' 4.2%, which implies that spillover strength is likely in the coming months. Meanwhile, core PCE inflation rose as expected to 1.8% y/y from 1.4% in February, and could top 2% over the coming months. The Fed left policy on hold last week and appears to be sticking to its commitment to not withdraw policy support until the recovery (particularly in jobs) is more advanced. This is despite business surveys pointing to increasing price pressures. Finally, President Biden has proposed another huge \$1.8 trillion hike in government spending, aimed mostly at social safety nets, which will be paid for with tax hikes on corporations and wealthier Americans.

Eurozone: Amid high virus infection numbers, slower vaccine progress and more modest policy support, GDP dramatically underperformed the US, dropping 0.6% q/q in 1Q21 after falling 0.7% in 4Q20, and signaling a technical recession. Weakness in Germany (-1.7%) dragged down the region, partly linked to the expiry of last year's temporary VAT cut. Spain (-0.5%), Italy (-0.4%) and France (+0.5%) did a bit better.

China: China's digital economy expanded by 9.7% y/y in nominal terms in 2020—more than three times as fast as GDP growth—as consumption shifted online amid the coronavirus pandemic. Digital 'output' now accounts for 38.6% of total GDP. Meanwhile, local authorities have slowed the pace of debt issuances to finance infrastructure projects this year to \$34.3bn in January-April from \$177.8bn in the same period in 2020.

Financial markets: Global stocks were mostly negative as investors mulled corporate earnings, early signs of inflation, and hawkish comments by a Fed official regarding the potential easing of bond purchasing. The MSCI AC world fell 0.3% w/w, led by European and emerging markets, while the DJIA lost 0.5% w/w. GCC markets fared better, with the MSCI GCC up 2.3% w/w led by Saudi Arabia (2.8%) and Kuwait (1.4%).

Oil: Brent closed the week up 1.7% w/w at \$67.3/bbl (+29.8% ytd) on signs that fuel consumption was rising in the major economies and on general commodities bullishness. Worries

over rampaging coronavirus in India, though, did pull Brent down on Friday from its earlier 6-week high. OPEC reiterated its belief that oil demand was improving and pressed ahead with its 1 April decision to ease output cuts over the next 3 months.

MENA Region

Saudi Arabia: In a televised interview, the Crown Prince indicated that the rate of VAT, currently 15%, could fall to 5-10% within the next five years. He also announced that there are discussions to sell a 1% stake in Aramco to a global energy player. Moreover, PIF assets are now targeted to reach \$2.67 trillion by 2030, up from the initial target of \$2 trillion. Saudi bank credit growth meanwhile reached 15% y/y in March, the highest rate in 12 months.

UAE: Inflation was negative at -2.1% y/y in February, due to declines in housing (-3.7%), transportation (-5.7%) and recreation & culture (-16.4%). The landmark Commercial Companies Law, which allows 100% foreign ownership of onshore companies in the UAE, is close to being finalized.

Bahrain: Moody's downgraded Bahrain's outlook to negative from stable and affirmed its B2 long-term rating due to 2020's widening fiscal deficit and large debt burden.

Egypt: Amid stable inflation in March and February of 4.5%, the central bank kept the overnight lending rate at 9.25% and the overnight deposit rate at 8.25% for a fourth consecutive time. The authorities are targeting GDP growth of 6-7% y/y and a reduction of debt interest payments from 8.8% of GDP in FY19/20 to 6.9% by FY23/24 in their new 3-year draft budget plan that commences from July 2021.

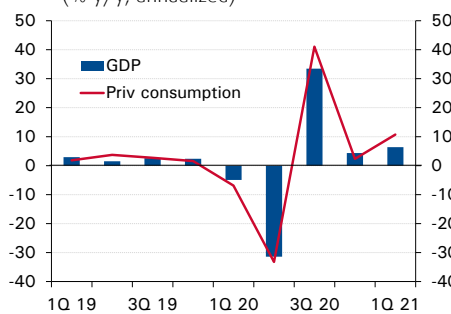
Key takeaways:

- The strong US GDP figure leaves output less than 1% below pre-pandemic levels, which, with the help of recent stimulus, should be reached in Q2. A continuation of strong activity and inflation data could increase pressure on the Fed to dial back its QE program before year-end.
- The slowdown in Chinese debt issuances points to a gradual tightening of fiscal policy and a focus on risk management, though growth in 2021 should outpace the authorities' own 6% target, according to consensus estimates.
- Oil markets are pricing in a robust recovery in oil demand this summer, led by the US. However, demand gains will need to outpace expected OPEC+ supply gains (+2 mb/d) or oil stocks will build and prices could be under pressure once more.

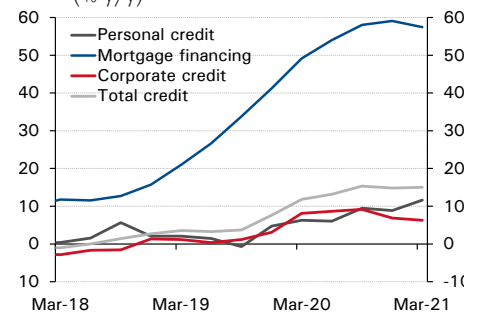
▶ **Chart 1: Brent crude oil price** (\$/bbl)



▶ **Chart 2: US GDP** (% y/y, annualized)



▶ **Chart 3: Saudi bank credit growth** (% y/y)

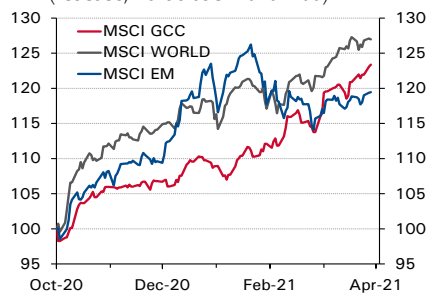


Key data

Stock markets	Index	Change (%)		Bond yields	%	Change (bps)		Interbank rates	%	Change (bps)					
		1-week	YTD			1-week	YTD			1-week	YTD				
International															
CSI 300	5,123	-0.2	-1.7	UST 10 Year	1.63	6.4	71.9	Bhibor - 3 month	1.33	3.8	-92.5				
DAX	15,136	-0.9	10.3	Bunds 10 Year	-0.20	5.7	37.5	Kibor - 3 month	1.50	0.0	6.3				
DJIA	33,875	-0.5	10.7	Gilts 10 Year	0.84	9.8	64.7	Qibor - 3 month	1.09	-5.2	-3.0				
Eurostoxx 50	3,975	-1.0	11.9	JGB 10 Year	0.09	2.0	6.8	Eibor - 3 month	0.36	0.0	-15.7				
FTSE 100	6,970	0.5	7.9	Regional											
Nikkei 225	28,813	-0.7	5.0	Abu Dhabi 2022	0.40	5.5	-9.9	Dubai 2022	0.39	-28.0	19.1				
S&P 500	4,181	0.0	11.3	Qatar 2022	0.44	19.3	-8.2	Kuwait 2022	0.97	23.3	51.2				
Regional															
Abu Dhabi SM	6,047	-0.9	19.8	KSA 2023	0.69	-0.9	-2.8	Dubai FM	2,605	-0.8	4.6				
Bahrain ASI	1,485	-0.1	-0.3	Commodities											
Egypt EGX 30	10,475	-1.2	-3.4	Brent crude	67.3	1.7	29.8	Kuwait SE	6,114	1.4	10.2				
MSCI GCC	643	2.3	17.6	KEC	66.1	3.4	30.6	KSA Tadawul	10,419	2.8	19.9				
Kuwait Exchange	10,911	0.6	4.6	WTI	63.6	2.3	31.0	Muscat SM 30	3,761	1.1	2.8				
Exchange rates															
KWD per USD	0.301	0.1	-0.9	Gold	1767.3	-0.5	-6.6	JPY per USD	109.3	1.3	5.8				
KWD per EUR	0.363	0.0	-0.1	Updated on 30/4/2021											
USD per EUR	1.202	-0.7	-1.6	Source: Refinitiv											
USD per GBP	1.381	-0.4	1.0												
EGP per USD	15.61	-0.4	-0.5												

International equity markets

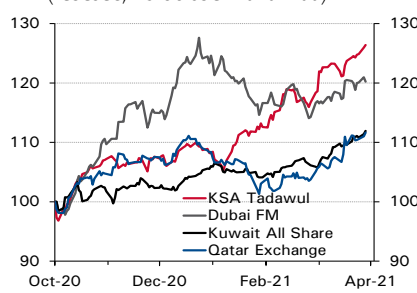
(rebased, 28 October 2020=100)



Source: Refinitiv

GCC equity markets

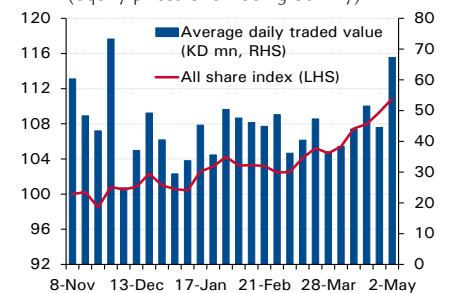
(rebased, 28 October 2020=100)



Source: Refinitiv

Bursa Kuwait

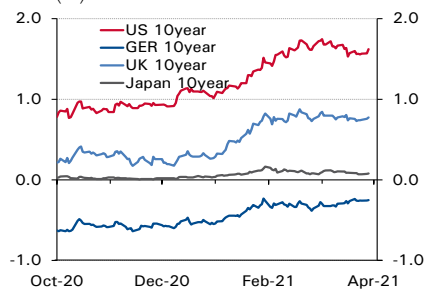
(equity prices and trading activity)



Source: Refinitiv

International bond yields

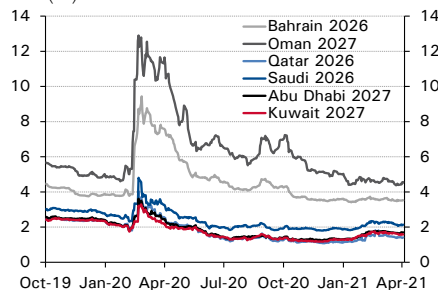
(%)



Source: Refinitiv

GCC bond yields

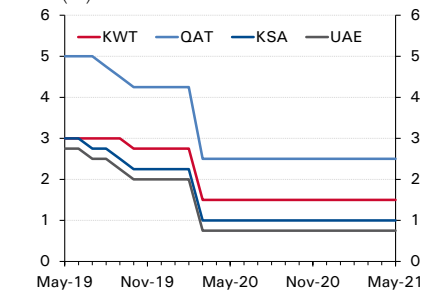
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv