

International

US: There was encouraging news on the important consumer sector with retail sales rising by an 18-month high of 1.6% m/m in March and putting annual sales growth back on an improving trend after a worrying slowdown last year. However industrial-side data have shown further signs of easing, with industrial output growth declining to 2.8% y/y in March amid flat manufacturing and the flash composite PMI falling to 52.8 in April from 54.3 in March. Meanwhile the goods and services trade deficit came in smaller than expected at \$49 billion in February amid a solid rise in exports and a smaller deficit with China. The trade figures are likely to help GDP growth in 1Q19.

Europe: Flash PMI data pointed to continued weak growth in Europe, with the headline index hitting a three-month low of 51.3 in April. Germany's crucial manufacturing sector remained deep in contraction territory at 44.5 amid car sector gloom and softness in global demand. The German government lowered its 2019 growth forecast to just 0.5%.

Financial markets: Global markets were slightly positive last week, with the MSCI AC world up 0.3%, led by the Eurostoxx 50 and the US DJI which rose 1.5% and 0.6% respectively. US 10-year treasury yields were unchanged at 2.56%.

Oil: In a shortened week, Brent crude closed on Thursday at another year-high at \$72.0/bbl (+0.6% on the week) as the narrative of tighter supplies combined with receding fears of weaker demand growth. Sentiment was lifted by data showing Saudi crude exports falling in February (-277 kb/d to just under 7 mb/d) and US crude inventories drawing down. US oil rig counts, a leading indicator of future output, also declined.

MENA Region

Kuwait: Real estate sales eased 8% m/m in March but were still decent at KD260 million. Sales were helped by a 40% jump in residential sector sales, while commercial sector sales saw a steep decline of 75% but from an exceptionally strong February boosted by some large one-off deals. Investment sector sales saw a moderate rise of 10% m/m.

UAE: According to a report by Ernst & Young assessing the economic impact of Dubai's Expo 2020, the event is expected to generate Dhs123 billion (\$33 billion) in gross value added income for the UAE between 2013 and 2031 or around 0.5% of estimated GDP annually. Meanwhile as part of its ongoing

economic reform program, Abu Dhabi announced that it would permit the sale of land and property in investment areas to foreigners on a freehold basis – previously limited to Emiratis and other GCC citizens. The move should help boost property demand and ultimately prices.

Bahrain: GDP growth in 4Q18 climbed to over a one-year high of 4.6% y/y from 1.6% in 3Q18. The pickup was driven by a strong rebound in oil sector output (11.3%) and increasing momentum in non-oil sector activity (3.2%), thanks to a recovery in the trade, hospitality and transport & communications sectors. For 2018 as a whole, growth came in at 1.8% versus 3.8% in 2017.

Oman: S&P downgraded its outlook on Oman from stable to negative, citing heightened external risks in the context of negligible fiscal reforms, which are expected to lead to a higher budget deficit and increased public debt. It also reaffirmed Oman's long-term credit rating at BB.

Egypt: Moody's upgraded Egypt's sovereign rating to B2 from B3, citing ongoing fiscal and economic reforms that will support a gradual improvement in fiscal metrics and raise GDP growth. The outlook was changed to stable from positive.

Financial markets: GCC markets performed well, with the MSCI GCC up 1.5% w/w, led by Abu Dhabi and Saudi, which rose 4.7% and 1.2% w/w. Gains were supported by higher oil prices but also banks and financials including FAB which gained about 5% on reduced foreign ownership restrictions.

Key takeaways:

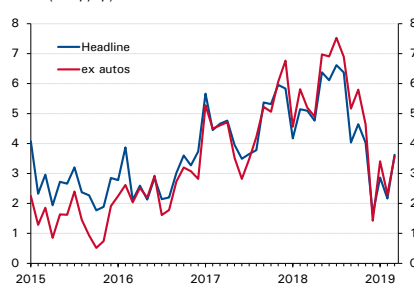
- While still mixed, recent economic data suggest that US growth may be recovering after a weak spot. The Atlanta Fed's 'nowcast' points to annualized growth of 2.8% in 1Q19 from sub-1% a few weeks ago while expectations of at least one Fed rate cut this year have declined to 43%.
- Sales data for March support our view of a steady recovery in Kuwait's real estate sector. Prices are now stable to positive though with some headwinds still facing the apartment sector due to persistent vacancies.
- Despite the likely impact of the Egyptian government's recently-announced public sector pay and pension rises on inflation and the fiscal deficit, the Moody's upgrade reflects general optimism on growth and the reform outlook which could help investor confidence and future debt issuance.

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



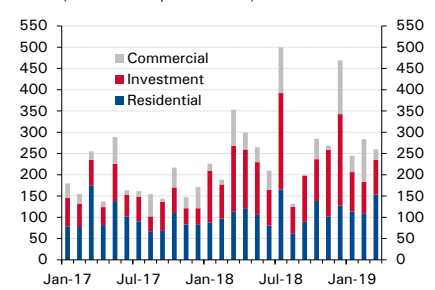
Source: Thomson Reuters Datastream

▶ **Chart 2: US retail sales** (% y/y)



Source: Thomson Reuters Datastream

▶ **Chart 3: Kuwait real estate sales** (KD million per month)



Source: Ministry of Justice

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,121	3.3	36.9
DAX	12,222	1.9	15.8
DJIA	26,560	0.6	13.9
Eurostoxx 50	3,499	1.5	16.6
FTSE 100	7,460	0.3	10.9
Nikkei 225	22,201	1.5	10.9
S&P 500	2,905	-0.1	15.9
Regional			
Abu Dhabi SM	5,292	4.7	7.7
Bahrain ASI	1,446	0.5	8.1
Dubai FM	2,814	0.9	11.2
Egypt EGX 30	14,876	-1.5	14.1
S&P GCC 40	1,204	4.7	9.5
Kuwait SE	5,806	1.1	14.3
KSA Tadawul	9,197	1.2	17.5
Muscat SM 30	3,980	-0.1	-7.9
Qatar Exchange	10,348	0.9	0.5

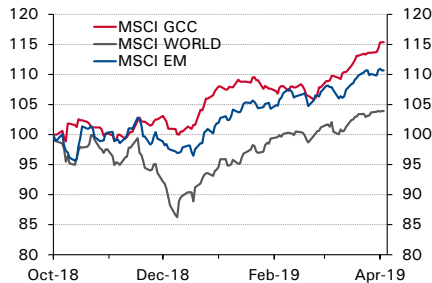
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.56	-0.2	-13.3
Bunds 10 Year	0.02	-3.1	-22.2
Gilts 10 Year	1.20	-1.5	-7.2
JGB 10 Year	-0.02	2.9	-2.6
Regional			
Abu Dhabi 2022	2.92	2.9	-38.0
Dubai 2022	3.52	-4.3	-41.1
Qatar 2022	3.01	-3.2	-44.4
Kuwait 2022	2.93	-1.1	-39.3
KSA 2023	3.19	-13.3	-69.2
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	72.0	0.6	33.8
KEC	71.6	1.6	37.2
WTI	64.0	0.2	40.9
Gold	1271.9	-1.4	-0.5

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhivor - 3 month	3.58	-3.3	-36.7
Kibor - 3 month	2.69	0.0	37.5
Qibor - 3 month	2.88	0.0	-2.7
Eibor - 3 month	2.83	-7.0	-0.9
Saibor - 3 month	2.86	-0.1	-12.0
Libor - 3 month	2.58	-1.6	-22.7
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	-0.1	0.2
KWD per EUR	0.341	-0.2	-2.0
USD per EUR	1.125	-0.5	-1.9
JPY per USD	111.9	-0.1	2.1
GBP per USD	1.299	-0.7	1.8
EGP per USD	17.15	-0.7	-4.0

Updated on 19/4/2019 Source: Thomson Reuters Eikon

International equity markets

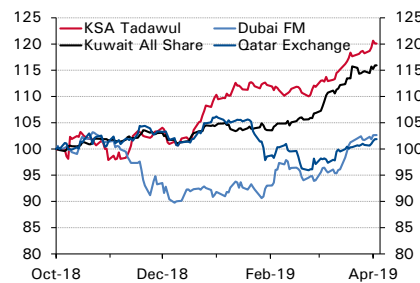
(rebased, 17 October 2018=100)



Source: Thomson Reuters Datastream

GCC equity markets

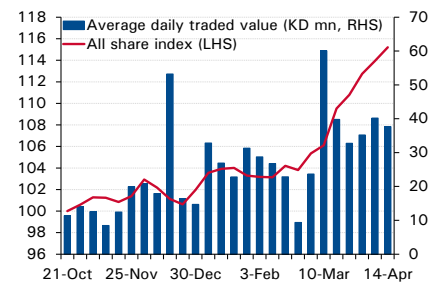
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Source: Thomson Reuters Datastream

Boursa Kuwait

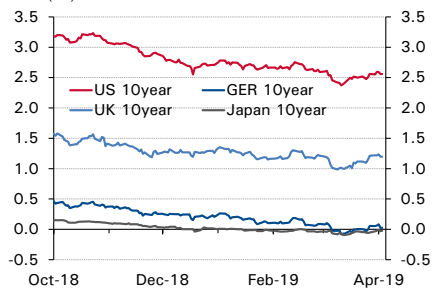
(equity prices and trading activity)



Source: Thomson Reuters Datastream

International bond yields

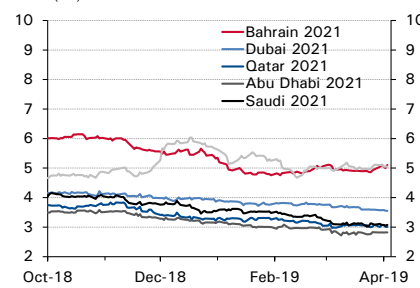
(%)



Source: Thomson Reuters Datastream

GCC bond yields

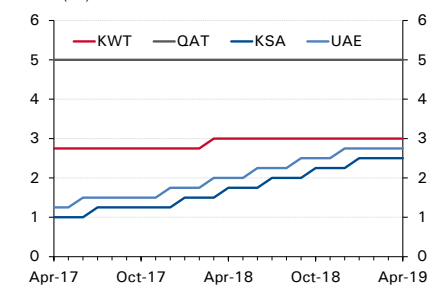
(%)



Source: Thomson Reuters Datastream

GCC key policy rates

(%)



Source: Thomson Reuters Datastream