

### International and markets

**US:** In his testimony to Congress, Fed chairman Jay Powell argued that the recent rise in government bond yields had been 'orderly' and represented a move back to more normal levels, presenting little cause for alarm. Still, the bank's new 'wait and see' approach to managing the recovery has fueled concerns that it may end up 'behind the curve' should its economic forecasts prove inaccurate, particularly on inflation. The Fed's preferred core PCE inflation measure fell back to 1.4% y/y in February, well below the 2% target, though could rise from March due to year-on-year base effects. Meanwhile, driven by the unwinding of the boost from stimulus checks the previous month, consumer spending fell 1.0% m/m in February as incomes dropped, but will likely rebound with the distribution of the \$1400 checks under the new \$1.9 trillion stimulus package. But labor market news was encouraging: initial jobless claims fell to a post-pandemic low of 684,000 in the w/e March 20, albeit still high by earlier standards.

**Europe:** The EU and UK agreed an initial MOU on financial services that includes a commitment to cooperation though freedom to diverge on regulations, and could be a precursor to a more comprehensive deal later on. The move is a positive step given what has been a somewhat fractious relationship between the two sides in recent months, including over the issues of vaccine supplies and Northern Ireland. Meanwhile mainland Europe's economic recovery is under threat from a raft of new restrictions due to a 'third wave' of virus infections, which could hit GDP again in Q2 after falls in 4Q20 and (expected) 1Q21.

**China:** The central bank left its benchmark interest rates unchanged (1-year 3.85%, 5-year 4.65%) for corporate and household loans for the eleventh straight month as the economy continues to recover from the COVID-19 shocks.

**Financial markets:** Global equity markets were mostly positive, supported by vaccine rollout optimism and as the Federal Reserve lifted dividend and buy-back restrictions on banks. The MSCI AC world gained 0.6% led by US markets, with the SP500 and DJIA up 1.6% and 1.4%. The US 10-year treasury yield eased 8 bps w/w to 1.66% on higher inflation expectations and Fed asset purchasing. GCC markets were mostly negative (MSCI GCC -1.2% w/w) as major stocks went ex-dividend and amid global oil demand concerns as new lockdowns were imposed in Europe.

**Oil:** Brent endured a topsy-turvy week before settling on Friday at \$64.6/bbl (-2.4% mtd; +24.7% ytd), little changed from the previous week. The disruption to sea-freight in the Suez Canal and expectations of a slower OPEC+ supply response in May helped pushed Brent up 4% on Friday, offsetting earlier losses due to concerns over higher oil supply and still-lackluster oil demand (US crude stocks increased by +1.9 mb to 502.7 mb).

### MENA Region

**Kuwait:** The current account surplus dipped to KD 2.5 billion (31% of GDP) from a revised KD 4.2 billion (66% of GDP) in 2Q20. The decline came despite the significant increase in oil prices by 69% q/q to \$43.5/bbl in 3Q20. The upward revision in the previous quarter was due to changes in investment income.

**Saudi Arabia:** S&P affirmed KSA's sovereign rating at "A-" with a stable outlook. Meanwhile, KSA's Investment Minister revealed during the Future Projects Forum (FPF) that the country's infrastructure and transportation sectors are seeking about \$400 billion in foreign investments over the next decade.

**Egypt:** Egypt is trying since March 23 to free a giant container ship that has been blocking the Suez Canal. The incident could have a 'critical impact' on global trade. According to expert estimates, each day of blockage disrupts of about \$9.5 billion worth of goods, or about \$400 million per hour.

#### Key takeaways:

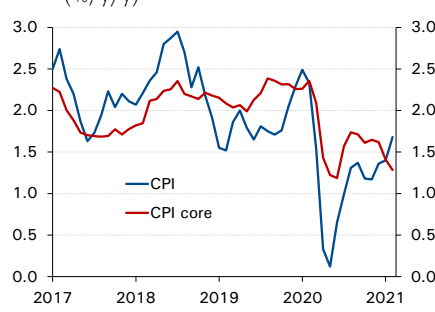
- The pause in the sell-off in US government bonds last week was reportedly helped by overseas buying, perhaps attracted by higher yields. However, the strong outlook for the US economy driven by reopening and potentially a new \$3 trillion infrastructure package could yet see yields drift up again – although this is unlikely to derail the economic recovery.
- The Suez Canal incident has exposed multiple vulnerabilities in global trade flows and energy supplies. The prospect of a more protracted delay could increase the transportation costs of oil shipments and substantial cost in forgone or delayed business.
- For Egypt, the drop in of the canal revenues by around \$16 million per day would have an impact on government revenues and FX reserve accumulation. However, severe or prolonged economic damage looks very unlikely.
- The recent EU-China investment deal aimed at improving EU access to China is facing a tough path due to recent sanctions on Chinese officials on alleged human right abuses.

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



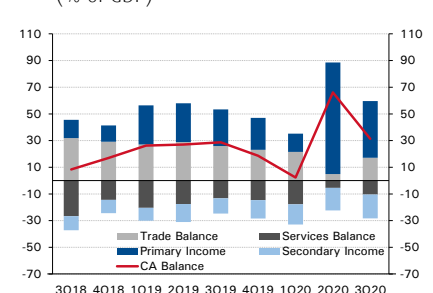
Source: Refinitiv

► **Chart 2: US inflation** (% y/y)



Source: Refinitiv

► **Chart 3: Kuwait Current acc. surplus** (% of GDP)



Source: Central bank of Kuwait, CSB

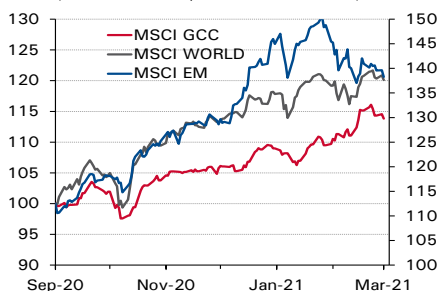
## Key data

Stock markets				Bond yields			Interbank rates				
Index	Change (%)			%	Change (bps)		%	Change (bps)			
	1-week	YTD			1-week	YTD		1-week	YTD		
<b>International</b>				<b>International</b>			<b>Regional</b>				
CSI 300	5,038	0.6	-3.3	UST 10 Year	1.66	-7.2	74.8	Bhibor - 3 month	1.37	-28.9	-88.0
DAX	14,749	0.9	7.5	Bunds 10 Year	-0.35	-5.5	22.6	Kibor - 3 month	1.50	0.0	6.3
DJIA	33,073	1.4	8.1	Gilts 10 Year	0.76	-8.2	56.1	Qibor - 3 month	0.86	-11.5	-26.1
Eurostoxx 50	3,867	0.8	8.8	JGB 10 Year	0.08	-3.5	6.0	Eibor - 3 month	0.39	2.7	-12.0
FTSE 100	6,741	0.5	4.3	<b>Regional</b>			Saibor - 3 month	0.80	0.0	-2.1	
Nikkei 225	29,177	-2.1	6.3	Abu Dhabi 2022	0.45	-2.7	-4.8	Libor - 3 month	0.19	0.6	-4.5
S&P 500	3,975	1.6	5.8	Dubai 2022	0.69	-32.8	49.2	<b>Exchange rates</b>			
<b>Regional</b>				Qatar 2022	0.62	3.7	10.3	rate	Change (%)		
Abu Dhabi SM	5,727	-0.2	13.5	Kuwait 2022	1.10	-1.7	63.7		1-week	YTD	
Bahrain ASI	1,464	0.3	-1.7	KSA 2023	0.84	-66.0	12.7	KWD per USD	0.302	0.1	-0.6
Dubai FM	2,496	-4.2	0.1	<b>Commodities</b>			\$/unit	Change (%)			
Egypt EGX 30	10,870	-0.4	0.2					1-week	YTD		
MSCI GCC	587	-1.2	7.3	Brent crude	64.6	0.1	24.7	KWD per EUR	0.363	0.0	-0.1
Kuwait SE	5,771	-0.5	4.1	KEC	62.8	-0.3	24.0	USD per EUR	1.180	-0.9	-3.4
KSA Tadawul	9,418	-0.7	8.4	WTI	61.0	-0.7	25.7	JPY per USD	109.6	0.7	6.2
Muscat SM 30	3,678	-2.0	0.5	Gold	1732.2	-0.5	-8.5	USD per GBP	1.379	-0.6	0.8
Qatar Exchange	10,168	-1.3	-2.6					EGP per USD	15.67	0.3	-0.1

Updated on 26/3/2021 Source: Refinitiv

### International equity markets

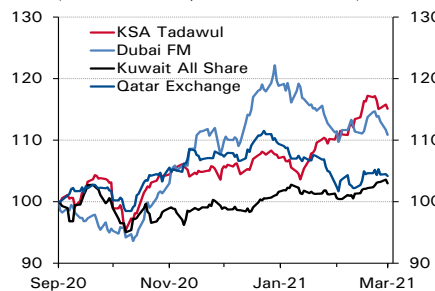
(rebased, 23 September 2020=100)



Source: Refinitiv

### GCC equity markets

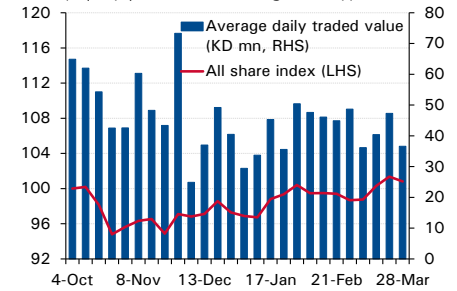
(rebased, 23 September 2020=100)



Source: Refinitiv

### Bursa Kuwait

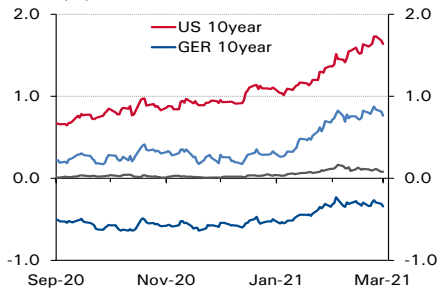
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

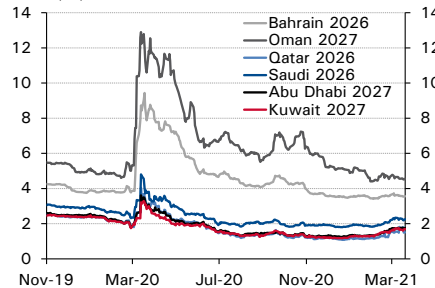
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Source: Refinitiv

### GCC bond yields

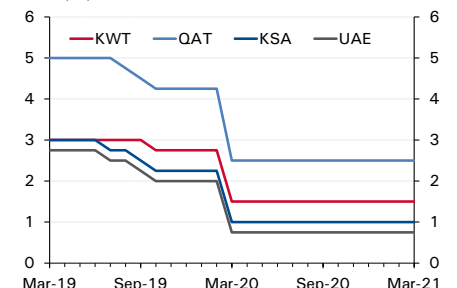
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv