

### International

**US:** As expected, the Federal Reserve left interest rates on hold at 2.25-2.50% though adopted a slightly less dovish tone than expected, making the prospect of interest rate cuts this year look still more remote. This case was supported by much better-than-expected labor market data for April, with payrolls up 263,000 (consensus 180,000), unemployment falling to a 49-year low of 3.6%, though wage growth remained at 3.2%. Core PCE inflation meanwhile dropped to just 1.6% y/y in March, but the Fed expects current weakness to be transitory. News on the business side was less positive, with the ISM manufacturing (52.8) and non-manufacturing (55.5) activity indices both slowing – the former to its weakest since 2016.

**Europe:** Flash estimates showed Eurozone GDP growth rising an above-consensus 0.4% q/q in 1Q19, double its rate of 4Q18 and easing fears of a recession. Figures for Germany were not released, but Italy was revealed to have emerged from recession while France expanded 0.3%. Inflation meanwhile picked up to a five-month high of 1.7% in April.

**Financial markets:** Markets were overall slightly positive last week, lifted by US earnings and positive employment data. The MSCI AC world rose 0.1% w/w led by emerging markets (0.5%) and the S&P500 (0.2%). US 10 year treasury yields increased 3 bps to 2.54%.

**Oil:** Brent closed the week down 1.8% w/w at \$70.9/bbl, its first weekly loss since March amid another record high in US crude production (+100 kb/d to 12.3 mb/d in the w/e 26/4). Saudi energy minister Al-Falih suggested that OPEC+ could extend the production cut agreement into 2H19.

### MENA Region

**Kuwait:** According to the NBK consumer spending index, spending rose 1.9% y/y in April from 0.3% in March, led by a recovery in durables (+1.7%) and solid growth in services outlays (+6.8%). The improvement comes amid low inflation and the CBK's easing in consumer lending restrictions in December. Meanwhile the current account surplus reached KD1.6 billion or 15% of GDP in 4Q18, up from 8% of GDP in 3Q18 amid softer goods imports and a decline in the services deficit. The figures suggest a 2018 surplus of 17% of GDP.

**UAE:** The PMI climbed from 55.7 in March to an over-one year high of 57.6 in April as orders, export orders and output all

rose. Meanwhile Abu Dhabi Commercial Bank, Union National Bank and Al Hilal Bank merged and with combined assets of \$115 billion becomes the third largest lender in the UAE. The merger comes amid ongoing consolidation efforts in the UAE banking industry to strengthen profit margins.

**Saudi Arabia:** The PMI was steady in April at 56.8, signaling solid non-oil private sector growth. Output and new business orders continued to show good growth, but employment levels have barely changed over the last three months. In April, both private sector credit (+3.1% y/y) and POS retail spending (+20%) were showing reasonable momentum.

**Oman:** Oman is reportedly preparing its first international debt issue of 2019 in a bid to help finance its budget deficit (estimated at 7% of GDP in 2019). Details on issuance timing and size are yet to be revealed. Early this year the government announced that it plans to finance 86% of its deficit with foreign and domestic borrowing and the rest from its reserves.

**Egypt:** The PMI increased to 50.8 in April, its best since August 2015, driven by the first improvement of output since August. According to the central bank, Egypt will issue on Monday \$1 billion in one-year dollar-denominated treasury bills, with \$1.1 billion dollar treasury-bills due to mature.

**Financial markets:** Regional equities were mixed, but the MSCI-GCC ended the week flat. Declines were led by ADX (-2.8%) and DFM (-1%), affected by heavyweight stocks Emaar and FAB, while Saudi's Tadawul advanced 0.7%, lifted by the construction sector. Kuwait's All Share index lost 0.2%.

#### Key takeaways:

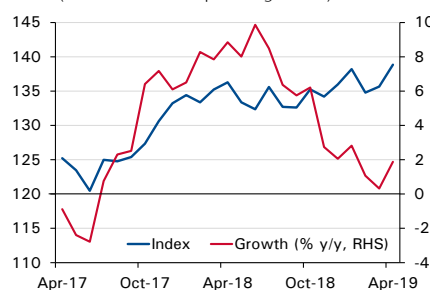
- The latest strong data from both the US and Europe will ease fears about near-term prospects for the global economy which had risen earlier this year, and reduce the likelihood of fresh central bank policy loosening. Futures markets now see a below-50% chance of a Fed rate cut in 2019.
- The upturn in the NBK consumer spending index for Kuwait in April suggests that the slowdown that began in mid-2018 may be bottoming out amid rising oil prices, improved lending, solid employment growth and low inflation.
- MENA region PMIs also presented a largely encouraging picture including in Egypt, where activity reached a multi-year high but also firms expressed greater optimism on future output citing new projects and improving tourism.

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



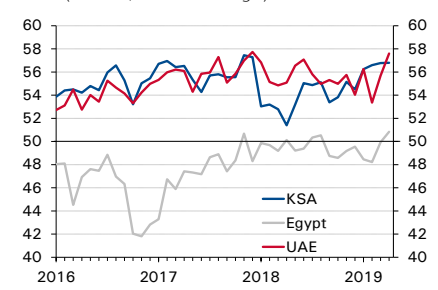
Source: Thomson Reuters Datastream

▶ **Chart 2: Kuwait consumer spending** (NBK consumer spending index)



Source: NBK

▶ **Chart 3: MENA PMIs** (indices, 50=no change)



Source: IHS Markit

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	3,913	0.6	30.0
DAX	12,413	0.8	17.6
DJIA	26,505	-0.1	13.6
Eurostoxx 50	3,502	0.1	16.7
FTSE 100	7,381	-0.6	9.7
Nikkei 225	22,259	0.0	11.2
S&P 500	2,946	0.2	17.5
<b>Regional</b>			
Abu Dhabi SM	5,243	-2.8	6.7
Bahrain ASI	1,435	-0.5	7.3
Dubai FM	2,759	-1.0	9.0
Egypt EGX 30	14,880	0.7	14.2
S&P GCC 40	1,210	-2.8	10.0
Kuwait SE	5,695	-0.2	12.1
KSA Tadawul	9,337	0.7	19.3
Muscat SM 30	3,965	0.6	-8.3
Qatar Exchange	10,481	0.3	1.8

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	2.53	2.6	-16.1
Bunds 10 Year	0.02	3.8	-22.6
Gilts 10 Year	1.22	7.7	-4.9
JGB 10 Year	-0.04	0.0	-4.6
<b>Regional</b>			
Abu Dhabi 2022	2.81	-0.2	-49.0
Dubai 2022	3.43	-2.3	-49.7
Qatar 2022	2.95	-1.5	-50.3
Kuwait 2022	2.84	-5.5	-48.3
KSA 2023	3.22	-2.9	-65.4
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	70.9	-1.8	31.7
KEC	70.7	-3.8	35.5
WTI	61.9	-2.1	36.4
Gold	1279.2	-0.4	0.1

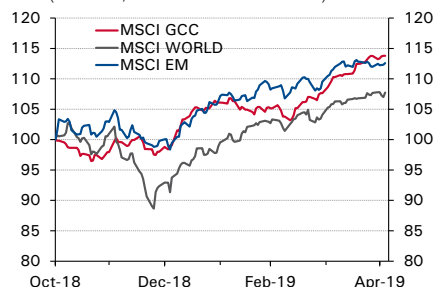
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhivor - 3 month	3.38	-18.3	-56.7
Kibor - 3 month	2.69	6.3	37.5
Qibor - 3 month	2.86	-3.8	-4.2
Eibor - 3 month	2.88	9.5	4.2
Saibor - 3 month	2.85	-0.5	-12.4
Libor - 3 month	2.57	-1.7	-24.3

Exchange rates	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	-0.1	0.2
KWD per EUR	0.340	0.3	-2.4
USD per EUR	1.120	0.5	-2.3
JPY per USD	111.1	-0.4	1.4
GBP per USD	1.317	2.0	3.2
EGP per USD	17.13	0.1	-4.1

Updated on 3/5/2019 Source: Thomson Reuters Eikon

### International equity markets

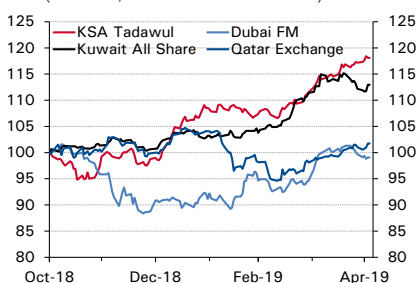
(rebased, 31 October 2018=100)



Source: Thomson Reuters Datastream

### GCC equity markets

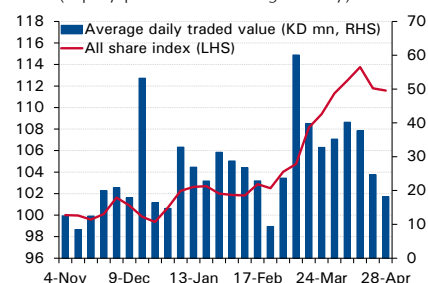
(rebased, 31 October 2018=100)



Source: Thomson Reuters Datastream

### Boursa Kuwait

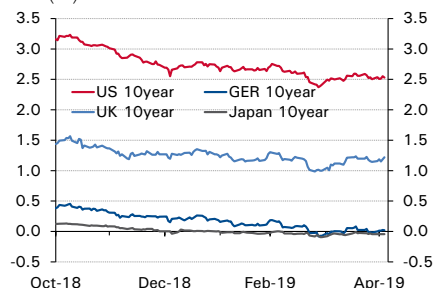
(equity prices and trading activity)



Source: Thomson Reuters Datastream

### International bond yields

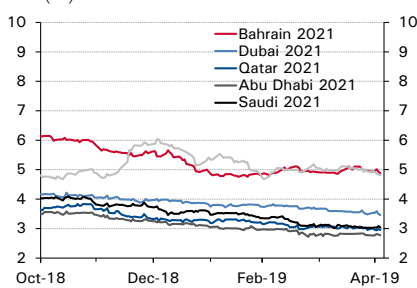
(%)



Source: Thomson Reuters Datastream

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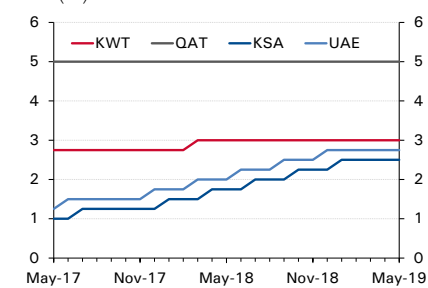
(%)



Source: Thomson Reuters Datastream

### GCC key policy rates

(%)



Source: Thomson Reuters Datastream