

International

USA: Non-farm payrolls data smashed through expectations, rising 312,000 in December for their best gain since February; the unemployment rate rose to 3.9%, but only due to a rise in the labor force. The figures eased growing concerns about a major downturn in the US economy. Meanwhile in his most dovish comments in a while, Fed chairman Jay Powell said that the bank would remain "cautious" about raising interest rates and could think again about its 'quantitative tightening' policy.

Financial markets: Stocks ended the first trading week of the year on a very positive note following the US jobs data and Powell's remarks, with the S&P up 1.9% w/w. US 10-year treasuries sold off on Friday in response to renewed interest in equities, but rose on a weekly basis.

Oil: Brent crude posted its first weekly gain in almost a month, rising 9.3% w/w to \$57.1/bbl. Oil markets were heartened by signs that OPEC production was falling after Bloomberg reported a 530 kb/d drop in the group's aggregate output in December to 32.6 mb/d – the sharpest cutback in almost two years, ahead of the official commencement of OPEC+ cuts this month. Saudi Arabia reduced output by 420 kb/d, while unplanned outages in Libya and Iran were also a factor.

MENA Region

Kuwait: GDP growth in 3Q18 rose to 1.8% y/y from a revised 0.6% in the second quarter. The pick-up was due to a rise in oil sector growth to 1.5%, linked to OPEC policy which saw Kuwait's crude output peak during the quarter. Non-oil growth slowed to 2.3% from 4.5% in Q2, though based upon a different methodological approach (used in the official annual data) would be a weaker 1.5%.

Spending in December according to the NBK consumer index rose 0.9% m/m led by increased purchases of services. But its yearly rate continued to decline, by 1.9% y/y, its worst reading in 18 months and a long way from June's expansion of 8.5%. The index was up 4.9% on average in 2018.

Saudi Arabia: Saudi GDP growth accelerated to 2.5% y/y in 3Q18 from 1.6% y/y in 2Q18, most likely thanks to sizable gains in the oil sector and an uptick in non-oil sector activity, though a full breakdown is not yet available. Meanwhile the authorities will announce the results of their review of the expatriate levy this month. Its imposition in 2017 contributed

to the net outflow of almost a million employed expats and raised hiring costs for businesses in the kingdom.

UAE: In its 2019 budget, Dubai left spending more or less unchanged at Dhs56.8 billion, as it continues to finance Expo 2020-related infrastructure projects. Revenues are expected at Dhs51.0 billion, a slower increase of 1.2% y/y than the 2018 budget projection of 12% y/y, as the authorities cut or refrain from increasing fees. The overall fiscal balance will therefore remain in deficit, albeit a narrowing one.

Qatar: GDP growth accelerated to 2.2% y/y in 3Q18 from a revised 1.7% y/y in Q2. Growth was spearheaded by the non-hydrocarbon sector – especially construction, hospitality and transportation – which rose by 4.3% y/y.

Oman: The 2019 budget targets a 3% y/y increase in spending compared to the 2018 budget with the fiscal deficit remaining high at 9% of GDP, threatening further downgrade by credit agencies (already below investment grade for S&P and Fitch). The vast majority of the deficit will be financed through local and foreign borrowing.

Egypt: Egypt expects to receive the fifth tranche, valued at \$2 billion, of the IMF's loan in January 2019, bringing total disbursements under the program to \$10 billion of a \$12 billion loan agreement. The sixth (and final) tranche is expected to be received following the June 2019 review. Meanwhile Egypt will auction \$750 million of one-year dollar-denominated treasury bills on Sunday, with \$945 million due to mature on Tuesday.

Financial markets: GCC markets suffered from thin trading in the first few days of the year, but most ended the week higher. Dubai was up over 2% w/w, and Kuwait gained 1.3%.

Key takeaways:

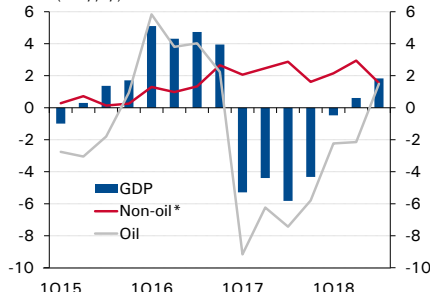
- Following Fed chair Powell's surprisingly dovish remarks, futures markets now see a greater chance of a pause or even a possible cut (though unlikely) in interest rates this year.
- Although provisional and subject to revision, Kuwait's quite soft Q3 GDP figures cast some doubt on our forecast for non-oil growth of 2.8% in 2018.
- Saudi Arabia's review of the expatriate fees imposed last year will have some lessons for other GCC countries' labor nationalization programs.

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



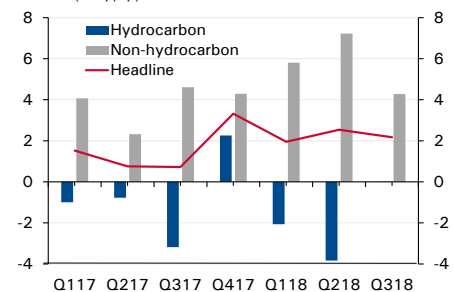
Source: Thomson Reuters Datastream

▶ **Chart 2: Kuwait GDP** (% y/y)



Source: CSB / NBK *Adjusted basis

▶ **Chart 3: Qatar GDP** (% y/y)



Source: Thomson Reuters Datastream

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,036	0.8	0.8
DAX	10,768	2.0	2.0
DJIA	23,433	1.6	0.5
Eurostoxx 50	3,042	1.9	1.3
FTSE 100	6,837	1.5	1.6
Nikkei 225	19,562	-2.3	-2.3
S&P 500	2,532	1.9	1.0
Regional			
Abu Dhabi SM	4,898	1.4	-0.3
Bahrain ASI	1,326	0.3	-0.9
Dubai FM	2,526	2.3	-0.1
Egypt EGX 30	13,265	2.2	1.8
S&P GCC 40	1,106	1.4	0.5
Kuwait SE	5,139	1.3	1.2
KSA Tadawul	7,830	1.0	0.0
Muscat SM 30	4,276	-1.6	-1.1
Qatar Exchange	10,350	0.6	0.5

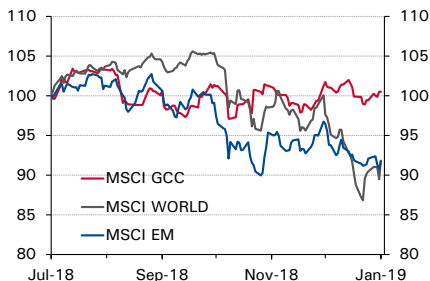
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.66	-7.9	-3.2
Bunds 10 Year	0.21	-3.4	-3.8
Gilts 10 Year	1.28	0.9	0.8
JGB 10 Year	-0.04	-3.9	-3.9
Regional			
Abu Dhabi 2022	3.19	-13.6	-10.9
Dubai 2022	3.94	2.7	0.6
Qatar 2022	3.47	3.1	1.5
Kuwait 2022	3.18	-12.9	-14.5
KSA 2023	3.81	-9.6	-6.9
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	57.1	9.3	6.1
KEC	55.0	3.7	3.7
WTI	48.0	5.8	5.6
Gold	1282.7	0.2	0.3

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	3.95	0.0	0.0
Kibor - 3 month	2.38	6.3	6.3
Qibor - 3 month	2.93	-0.2	2.6
Eibor - 3 month	2.93	-2.3	9.5
Saibor - 3 month	2.97	-0.5	-0.2
Libor - 3 month	2.80	-0.8	-1.3
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	-0.1	0.0
KWD per EUR	0.348	0.0	0.0
USD per EUR	1.139	-0.4	-0.7
JPY per USD	108.5	-1.6	-0.9
GBP per USD	1.273	0.2	-0.2
EGP per USD	17.86	0.1	0.0

Updated on 4/1/2019 Source: Thomson Reuters Eikon

International equity markets

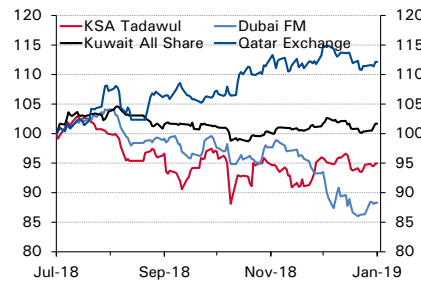
(rebased, 27 June 2018=100)



Source: Thomson Reuters Datastream

GCC equity markets

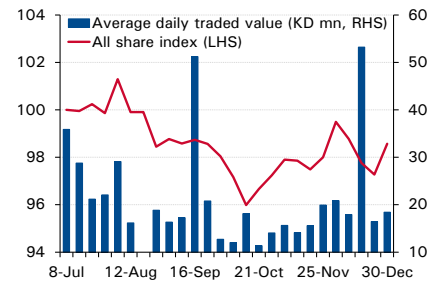
(rebased, 27 June 2018=100)



Source: Thomson Reuters Datastream

Boursa Kuwait

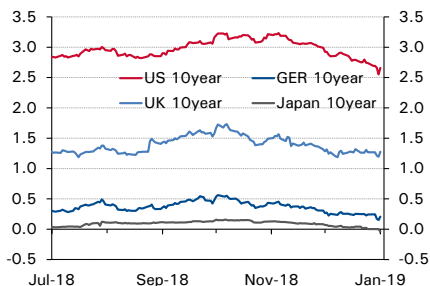
(equity prices and trading activity)



Source: Thomson Reuters Datastream

International bond yields

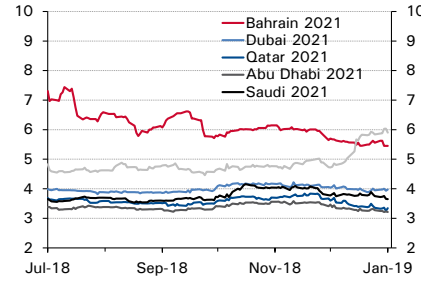
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Source: Thomson Reuters Datastream

GCC bond yields

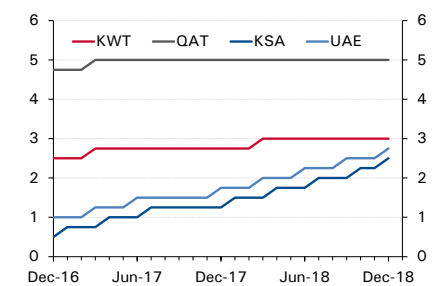
(%)



Source: Thomson Reuters Datastream

GCC key policy rates

(%)



Source: Thomson Reuters Datastream