

International

USA: US non-farm jobs beat expectations in March, rising 196,000 albeit after a soft (but upwardly-revised) 33,000 in February. Unemployment remained at a low 3.8% while wage growth ticked down to 3.2% (3.4% in February) – a figure that is helpful to the Fed's recent dovish policy shift. Meanwhile the ISM services index fell back to 56.1 after a very strong February, but remains consistent with solid growth. President Trump put further pressure on the Fed by calling for a return to Quantitative Easing, and has also nominated another supporter, Herman Cain, for appointment to its powerful policy-setting board. Both Cain and Trump's other nominee, Stephen Moore, have argued for interest rate cuts.

Financial markets: World markets were positive as global growth concerns eased helped by the positive US jobs data. The MSCI AC world rose 2.1% w/w led by the Eurostoxx 50 (+2.9%), Emerging Markets (+2.2%) and the S&P500 (2.1%).

Oil: Brent rose 2.9% w/w to end at \$70/bbl for the first time in five months amid concern about supply outages in Libya, Venezuela and Iran, as well as more positive economic news. It was also reported that Saudi Arabia is threatening to stop selling its oil in US dollars if the US Congress passes anti-trust legislation against OPEC (NOPEC).

MENA Region

Kuwait: Preliminary data show that GDP growth eased to 2.0% in 4Q18 from 2.9% in Q3, due to slower growth in the oil sector on the back of OPEC-related production cuts. Non-oil growth softened modestly to 2.0% from 2.3% in Q3, but was still higher than its average in H1. For 2018 as a whole GDP rose a slower-than-expected 1.2. Non-oil growth – which now includes refined oil output – came in at a modest 1.2%, though may be subject to revision when more comprehensive data is released.

UAE: Preliminary data show the economy grew 1.7% in 2018 up from 0.8% in 2017, thanks to a rebound in oil GDP growth. Non-oil growth slowed from 2.5% to 1.3% during the same period, in tandem with softer economic activity in Dubai. The UAE PMI bounced back to 55.7 in March from a 28-month low of 53.4 in February driven by higher order books.

Saudi Arabia: The March PMI rose to its highest level since December 2017 at 56.8 from 56.6 in February on growth in

new orders. GDP data showed the economy expanded by 3.6% y/y in 4Q18 versus 2.5% in Q3 and its fastest pace in three years. This reflected record high crude output, while non-oil growth slowed to 2% from 2.1% in Q3 on weaker wholesale and retail trade and a contraction in construction sector output. The unemployment rate, however, did improve slightly in 4Q18, falling to 12.7% from 12.8% the previous quarter.

Egypt: The PMI rebounded to 49.9 in March from February's 17-month low of 48.2, but remained in contraction territory for the seventh consecutive month. The government intends to remove subsidies on most energy products on June 15. Under government projections, this would cut the fiscal deficit to 7.2% of GDP in FY19/20 and general debt to 86% of GDP this year. Egypt sold €2 billion of euro-denominated bonds that were more than 4-times oversubscribed. The issuance was made up of €750 million in six-year bonds and €1.25 billion in 12-year bonds, carrying yields of 4.75% and 6.375%, respectively. Meanwhile, according to press reports the cost of government's recent decision to increase public sector salaries and pensions may be EGP60 billion (\$3.5 billion) – twice what was previously reported.

Financial markets: The MSCI-GCC rose a solid 2.5% w/w, led by Dubai (5.5%), Saudi Arabia (3.1%) and Kuwait (2.7%). Dubai was lifted by heavyweight stocks Emaar and NBD, and Saudi by banking and petrochemical stocks.

Key takeaways:

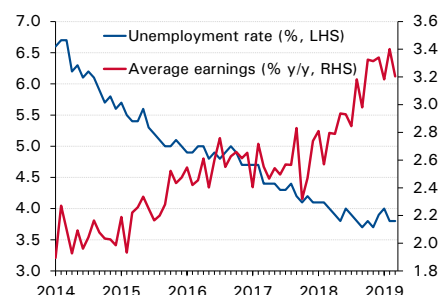
- President Trump's constant pressure on the Fed together with his nomination of two rate cut-advocates to the Fed's Board is raising concern about the politicization of the Fed. A cut in interest rates this year is now more probable.
- Kuwait's preliminary non-oil GDP figures – while not straightforward to interpret due to a change in sector classifications – confirm that growth was moderate last year against a backdrop of slow project implementation and softening consumer spending. Although the recent rise in oil prices will help, we expect a similar performance in 2019.
- The Egyptian government's projections for the fiscal deficit and debt now look optimistic given recent salary and pension rises as well as the projected increase in oil prices, which will significantly affect both the budget and inflation.

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



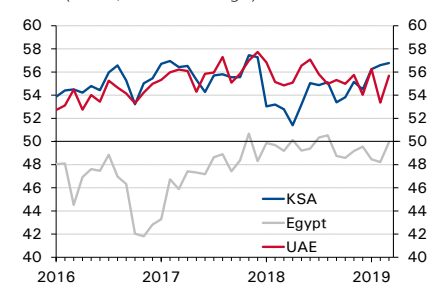
Source: Thomson Reuters Datastream

▶ **Chart 2: US labor market**



Source: Thomson Reuters Datastream

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



Source: IHS Markit

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,062	4.9	34.9
DAX	12,010	4.2	13.7
DJIA	26,425	1.9	13.3
Eurostoxx 50	3,447	2.9	14.9
FTSE 100	7,447	2.3	10.7
Nikkei 225	21,808	2.8	9.0
S&P 500	2,893	2.1	15.4
Regional			
Abu Dhabi SM	5,032	-1.3	2.4
Bahrain ASI	1,419	0.4	6.1
Dubai FM	2,776	5.5	9.7
Egypt EGX 30	15,248	4.0	17.0
S&P GCC 40	1,172	-1.3	6.6
Kuwait SE	5,732	2.7	12.8
KSA Tadawul	9,064	3.1	15.8
Muscat SM 30	3,940	-1.6	-8.9
Qatar Exchange	10,190	0.4	-1.1

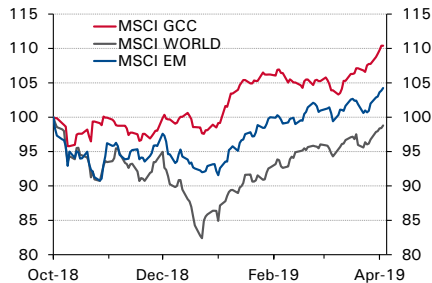
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	2.50	8.5	-19.2
Bunds 10 Year	0.00	7.5	-24.2
Gilts 10 Year	1.12	11.7	-15.2
JGB 10 Year	-0.03	6.0	-3.4
Regional			
Abu Dhabi 2022	2.84	4.5	-45.8
Dubai 2022	3.56	-6.9	-36.5
Qatar 2022	3.03	-2.1	-42.4
Kuwait 2022	2.79	3.9	-53.4
KSA 2023	3.11	-3.1	-76.4
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	70.3	2.9	30.7
KEC	68.9	0.8	32.7
WTI	63.1	4.9	38.9
Gold	1290.4	-0.2	0.9

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	3.68	-8.3	-26.7
Kibor - 3 month	2.69	6.3	37.5
Qibor - 3 month	2.91	1.9	0.0
Eibor - 3 month	2.90	5.6	6.6
Saibor - 3 month	2.86	-0.6	-11.4
Libor - 3 month	2.59	-0.3	-21.9
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.2	0.4
KWD per EUR	0.341	0.2	-2.1
USD per EUR	1.121	0.0	-2.2
JPY per USD	111.7	0.8	2.0
GBP per USD	1.304	0.0	2.2
EGP per USD	17.26	-0.1	-3.4

Updated on 5/4/2019 Source: Thomson Reuters Eikon

International equity markets

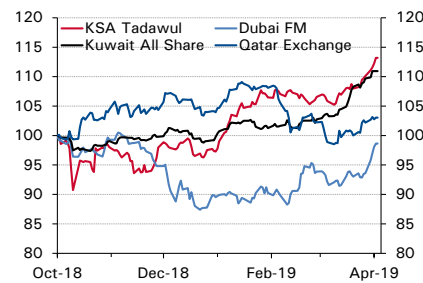
(rebased, 3 October 2018=100)



Source: Thomson Reuters Datastream

GCC equity markets

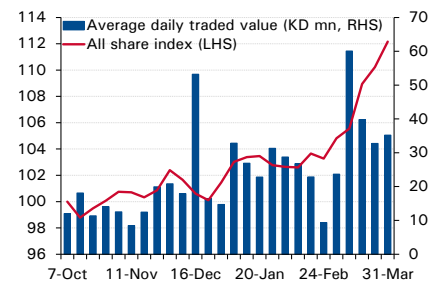
(rebased, 3 October 2018=100)



Source: Thomson Reuters Datastream

Boursa Kuwait

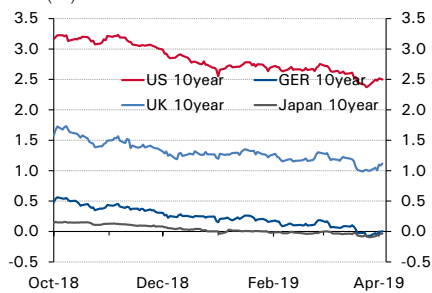
(equity prices and trading activity)



Source: Thomson Reuters Datastream

International bond yields

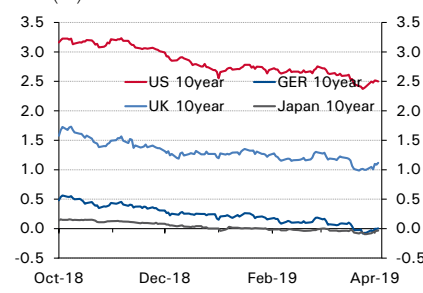
(%)



Source: Thomson Reuters Datastream

GCC bond yields

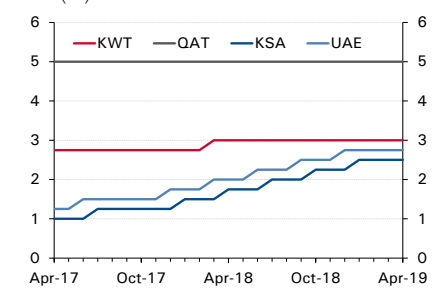
(%)



Source: Thomson Reuters Datastream

GCC key policy rates

(%)



Source: Thomson Reuters Datastream