

### International

**US:** Minutes from the Fed's end-January meeting where rates were left on hold revealed that the bank sees a 'more favorable' economic outlook, with investment potentially benefitting from the phase one US-China trade deal. Economic data were mixed. The flash composite PMI for February unexpectedly fell to just 49.6 from 53.3 in January, signaling the first outright decline in activity in more than four years. The service sector component fell to a more than six-year low of 49.4, while manufacturing was barely positive at 50.8. However, in a contrary report, the Philadelphia Fed manufacturing outlook survey index surged to a three-year high of 36.7 in February, likely reflecting more bullish sentiment following the US-China trade agreement. Finally, existing home sales fell slightly in January to 5.46 million, though growth remains at a solid 10% y/y after a strong December with sales generally lifted by low mortgage rates.

**China:** The death toll from the coronavirus has reached more than 2,400 with the number of confirmed cases globally close to 80,000, though the number of new cases in China reportedly slowed. Meanwhile, China continued to roll out fresh stimulus measures. The Ministry of Finance announced cuts in corporate taxes and fees, and the central bank reduced its one-year medium-term lending facility by 10 bps to 3.15% in a bid to lower long-term borrowing costs. This was followed by a 10 bps cut in the benchmark one-year loan prime rate to 4.05%.

**Financial markets:** International equities dropped last week, with the main headwind coming from an increasing worry about the spread of the coronavirus. The MSCI AC index was down 1% w/w as the S&P 500 shed 1.3%, while the MSCI EM index fell 1.2% w/w. The US 10-year yield dropped 12 bps to 1.47%.

**Oil:** Amid supply outages in Libya and Venezuela, Brent rose 2.1% w/w to \$58.5/bbl, despite alarm over the coronavirus' spread outside of China. Discussion of deeper OPEC+ production cuts will have to wait until the group's ministerial meeting on 5 March as originally planned after Russia's lukewarm response.

### MENA Region

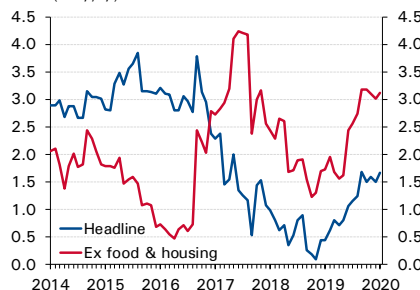
**Kuwait:** Inflation rose to 1.7% y/y in January from 1.5% in December, mainly on the back of a rise on food price inflation to 2.5% from 1.8%. Core inflation, which excludes both food and housing costs, ticked up to 3.1% from 3.0% in December with most 'core' components apart from miscellaneous goods (up 0.7% to 3.3%) broadly steady including clothing,

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



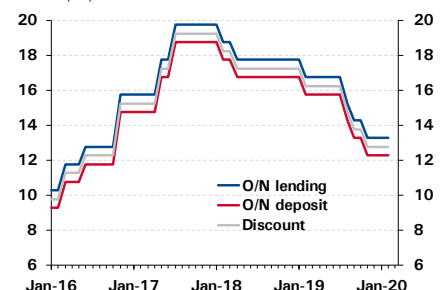
Source: Refinitiv

▶ **Chart 2: Kuwait CPI inflation** (% y/y)



Source: Refinitiv

▶ **Chart 3: Egypt interest rates** (%)



Source: Refinitiv

recreation, transportation and education. Meanwhile, real estate sales amounted to a solid KD 302 million in January, up 23% y/y but down 9% m/m, with a total of 470 transactions. The annual gain was driven by a moderate pick-up in investment sector transactions, and a broad pick-up in average transaction size, especially in the residential and commercial sectors.

**Saudi Arabia:** Inflation edged up to 0.4% y/y in January from 0.2% in December, partly driven by lower pressure from falling housing rents, which decreased 3.7% y/y in January compared with 4.2% in December. January was inflation's second positive month in a row after deflation characterized most of 2019.

**UAE:** The UAE retained its rank in the global top 40 in the latest Legatum Prosperity Index, with continued high scores in the Economic Quality and Market Access & Infrastructure segments. Meanwhile, consumer prices in Dubai fell 3.2% y/y in January as the housing component saw a steeper decline of 7.3%.

**Egypt:** The central bank left interest rates on hold, with the overnight deposit and lending rates at 12.25% and 13.25%, respectively and the discount rate at 12.75%. Analysts had been divided over the chances of a rate cut, with rates having been lowered four times in 2019 but left on hold since October.

**Lebanon:** S&P downgraded Lebanon's credit rating from CCC to CC, while Moody's downgraded the country's rating to Ca from Caa2, expecting that "domestic and external private creditors will likely incur substantial losses in what seems to be an all but inevitable near-term government debt restructuring".

**Financial markets:** GCC equities were mostly positive, supported by slightly higher oil prices, with the MSCI GCC index increasing 1.2% w/w mainly driven by a 1.7% rise in Saudi.

#### Key takeaways:

- The international spread of the coronavirus is pressuring financial markets and boosting the US dollar. At the G20, the IMF said it was looking at 'more dire scenarios' beyond its current base case of a 0.1% hit to global growth this year.
- US Fed minutes suggest that the bank requires a material change in conditions to move rates again, though it retains an easing bias and this was before a rise in concern over the coronavirus. Futures markets see at least one cut by year-end.
- A recent rise in inflation to above 7% and coronavirus-linked uncertainty may have encouraged Egypt's central bank to leave rates on hold. But inflation is within the bank's target and could ease back in coming months, putting cuts back on the agenda.

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,149	4.1	1.3
DAX	13,579	-1.2	2.5
DJIA	28,992	-1.4	1.6
Eurostoxx 50	3,800	-1.1	1.5
FTSE 100	7,404	-0.1	-1.8
Nikkei 225	23,387	-1.3	-1.1
S&P 500	3,338	-1.3	3.3
<b>Regional</b>			
Abu Dhabi SM	5,033	-0.1	-0.8
Bahrain ASI	1,669	0.4	3.6
Dubai FM	2,738	0.1	-1.0
Egypt EGX 30	13,721	-1.0	-1.7
MSCI GCC	540	1.2	-4.7
Kuwait SE	6,188	-0.3	-1.5
KSA Tadawul	8,007	1.7	-4.6
Muscat SM 30	4,192	1.5	5.3
Qatar Exchange	9,934	0.9	-4.7

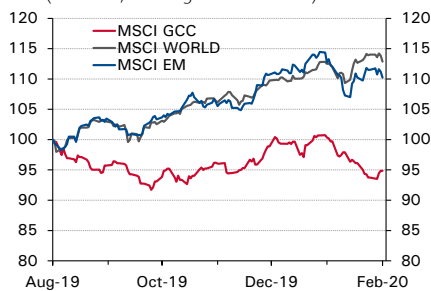
Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.47	-11.8	-44.0
Bunds 10 Year	-0.43	-3.3	-24.6
Gilts 10 Year	0.57	-5.5	-25.1
JGB 10 Year	-0.06	-3.5	-4.2
<b>Regional</b>			
Abu Dhabi 2022	1.83	0.1	-21.1
Dubai 2022	2.33	-4.3	-13.8
Qatar 2022	1.82	-9.8	-24.5
Kuwait 2022	1.71	-7.3	-35.5
KSA 2023	2.05	-4.8	-24.7
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	58.5	2.1	-11.4
KEC	58.6	2.3	-14.3
WTI	53.4	2.6	-12.6
Gold	1644.6	3.9	8.2

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.57	-1.7	-10.0
Kibor - 3 month	2.50	-6.3	-25.0
Qibor - 3 month	2.27	-4.3	2.5
Eibor - 3 month	1.88	-10.1	-33.1
Saibor - 3 month	2.14	-0.9	-9.6
Libor - 3 month	1.68	-0.9	-22.6
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	0.6	1.1
KWD per EUR	0.331	0.4	-0.6
USD per EUR	1.084	0.1	-3.3
JPY per USD	111.6	1.7	2.7
USD per GBP	1.297	-0.6	-2.2
EGP per USD	15.51	-0.9	-3.1

Updated on 21/2/2020 Source: Refinitiv

### International equity markets

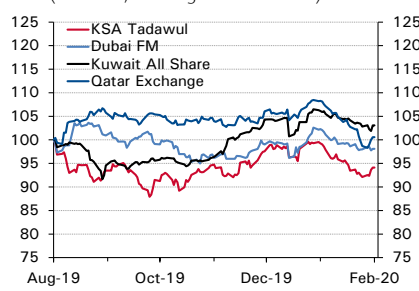
(rebased, 21 August 2019=100)



Source: Refinitiv

### GCC equity markets

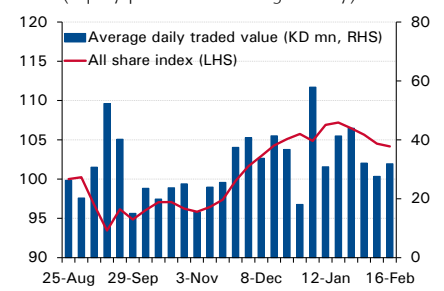
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Source: Refinitiv

### Boursa Kuwait

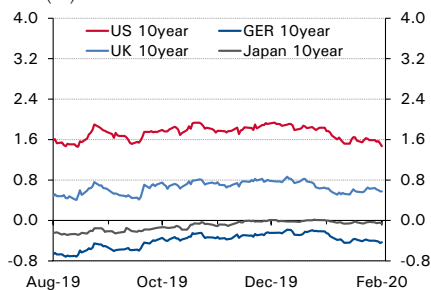
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

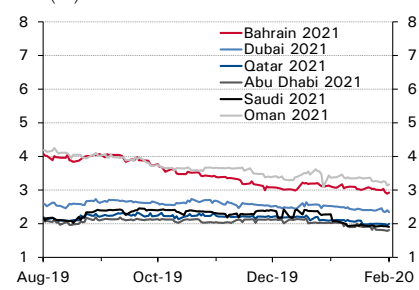
(%)



Source: Refinitiv

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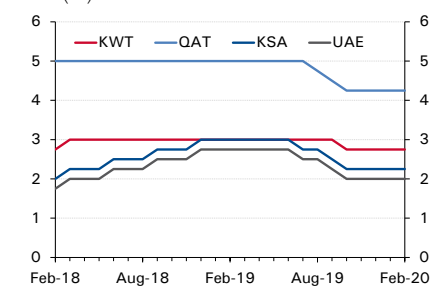
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv