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Daily
Economic Update

Economic Research Department
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Egypt: Government strikes $35bn deal with UAE's ADQ on development of Ras Al Hekma. In a major investment deal, the Egyptian government has signed a $35bn agreement with the UAE's state-owned holding company ADQ for the rights to develop the coastal area of Ras Al Hekma. The deal involves $24bn in fresh funds, with the remaining $11bn coming from the UAE's existing $11bn deposits at the CBE, which will be converted into FDI. As per the Egyptian government, $10bn (fresh funds) should be deposited at the Central Bank of Egypt this week and the other $14bn will be deposited within the coming two months with no more details on that part. In our opinion, this $10bn should act as the buffer to allow the central bank to devalue the pound probably to the EGP45-50/$1 range over the coming weeks (the black market rate is already down to the low-mid 50s from the 60s last week). It should also allow the government to release some of the pending goods at ports, which it has started already with goods worth $1.3bn mainly in the medical sector. The new investment deal is huge in absolute value but when compared to Egypt's overall funding needs in 2024 it acts as a breather. Egypt has outstanding commitments of $10bn from the import backlog, $24bn in net foreign liabilities (although this is not due immediately), and lastly maturing external debt this year of up to $30bn (excluding GCC deposits at the CBE). Still, the investment is a strong signal that the reform process is starting. Approval of the new, expanded IMF loan should eventually follow allowing for a further boost in FX liquidity. Overall, this deal looks very positive for the medium term, though by itself will not be enough to allow for a strong pickup in imports, meaning that economic growth will remain subdued.

Oil: Brent gains on physical market strength and China Lunar New Year oil demand signals. Brent gained more than 1% yesterday, rising to $82.5/bbl (+7.1% ytd), supported by some physical market strength—refineries in the US look to be snapping up more barrels amid stronger refining margins—and positive oil consumption signals coming out of China after stronger-than-expected New Year domestic travel. Last week saw Brent close down more than 2% w/w to $81.6/bbl, its first weekly decline since the start of February. Brent has been rangebound for the best part of a month, trading within the narrow $81-83/bbl range as demand worries vie with geopolitical tensions for influence.

US: PCE inflation for January key data point this week. The Fed's preferred inflation measure, PCE, (released on Thursday) will be the most important data point to look out for this week. Consensus expectations point to ongoing softening in the yearly increase (to 2.4% from 2.6% in December) although on a higher monthly increase (0.3% from 0.2%). Similar trends are expected for the core index, which is projected to increase by 2.8% y/y (2.9% in December) and 0.4% m/m (0.2% in December). Progress on inflation will continue to be the main focus for the Fed ahead of its next meeting on March 20, noting that February's CPI will be released before that meeting (on 12 March). Meanwhile, consensus expectations see the second estimate for Q4 2023 GDP growth (out on Wednesday) unchanged from the first estimate at 3.3% q/q (annualized), with growth in personal consumption expenditures also unchanged at 2.8%.

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Japan: Core inflation in January hits BOJ target for the first time since March 2022. Consumer price inflation dropped to 2.2% y/y in January from 2.6% the prior month, the lowest since March 2022, as food prices rose the least in nearly 16 months (5.7% y/y versus 6.7% in December). Meanwhile, core inflation, which excludes fresh food, rose 2% y/y in January, slowing from a 2.3% gain in December. Core inflation is now at the central bank's 2% target after exceeding that level for 21 consecutive months. However, the January figures came in slightly above expectations, keeping alive the possibility that the Bank of Japan will soon end its negative interest rate policy, despite recent GDP data showing that the economy fell into recession at the end of last year. `

Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
Regional			
Abu Dhabi (ADI)	9,261	-0.21	-3.31
Bahrain (ASI)	2,054	0.15	4.20
Dubai (DFMGI)	4,223	-0.06	4.03
Egypt (EGX 30)	28,932	3.92	16.51
GCC (S&P GCC 40)	737	-0.40	3.41
Kuwait (All Share)	7,415	0.00	8.76
KSA (TASI)	12,532	-0.58	4.72
Oman (MSM 30)	4,594	0.35	1.77
Qatar (QE Index)	10,449	0.37	-3.52
International			
CSI 300	3,453	-1.04	0.65
DAX	17,423	0.02	4.01
DJIA	39,069	-0.16	3.66
Eurostoxx 50	4,864	-0.17	7.58
FTSE 100	7,684	-0.29	-0.63
Nikkei 225	39,234	0.35	17.24
S&P 500	5,070	-0.38	6.28

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	6.38	-0.32	-14.74
Kuwait	4.31	0.00	0.00
Qatar	6.00	0.00	-25.00
UAE	5.18	-15.93	-14.94
Saudi	6.24	-0.21	0.80
LIBOR	5.60	0.72	0.64
SOFR	5.33	0.67	-0.08

Bond yields	%	Change (bps)	
		Daily	YTD
Regional			
Abu Dhabi 2027	4.74	0.80	41.9
Oman 2027	5.69	0.00	53.6
Qatar 2026	4.89	1.40	37.0
Kuwait 2027	4.59	-0.50	24.6
Saudi 2028	5.04	0.20	51.4
International 10YR			
US Treasury	4.30	3.90	43.9
German Bund	2.43	6.80	40.1
UK Gilt	4.16	12.50	62.4
Japanese Gvt Bond	0.69	-2.90	7.1

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.08	0.08
KWD per EUR	0.33	0.26	0.94
USD per EUR	1.08	0.27	-1.71
JPY per USD	150.69	0.13	6.83
USD per GBP	1.27	0.02	-0.37
EGP per USD	30.93	-0.06	0.26

Commodities	$/unit	Change (%)	
		Daily	YTD
Brent crude	82.53	1.11	7.13
KEC	80.65	-2.00	1.37
WTI	77.58	1.43	8.28
Gold	2028.5	-0.50	-1.64

Quoted prices/rates collected after close of last trading day (or are most recent available)

Source: Refinitiv / Haver

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