

# Daily Economic Update

Economic Research Department  
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## **US: Fed officials more cautious on rates amid renewed inflation concerns, potential government policy changes.**

Despite cutting interest rates by 25 bps in December, FOMC meeting minutes showed that participants were concerned about stalled progress on inflation and anticipated foreign trade and immigration policy changes. Some members also incorporated “placeholder assumptions” about potential changes to government policies that could exert upward pressure on inflation in their forecast. Many members also saw the need for a more measured approach to monetary policy easing ahead, citing factors such as recent elevated inflation prints, reduced downside risks to the employment outlook, and increased upside risks to inflation. As we noted previously, with a shift in the inflation outlook, the market currently expects only one to two interest rate cuts in 2025, down from five or six expected in September. On the data front, initial weekly jobless claims (w/e January 4) unexpectedly fell to their lowest since February 2024 at 201K from 211K the previous week. However, continuing jobless claims (w/e December 28) increased to 1.87 million from 1.83 million, underlining a volatile trend around the year-end holiday period.

## **China: Inflation at a nine-month low in December, bond yields at multi-decade lows.**

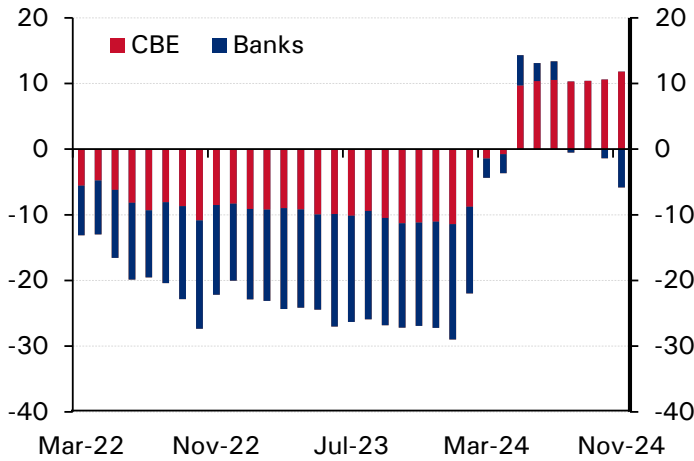
Consumer price inflation slowed in December to a nine-month low of 0.1% y/y from 0.2% in November, but that was in line with expectations. On a more positive note, core inflation, which excludes food and fuel prices, picked up for the third straight month standing at 0.4% y/y, up from 0.3% in November. The producer price index declined by 2.3% y/y in December, marking more than two years of uninterrupted annual declines, though it was narrower than the 2.5% y/y drop seen in November. The inflation data continues to indicate that the several stimulus measures that have already been enacted are not enough, and more needs to be done to boost growth and avoid a deflationary spiral. Reflecting that, yields on 10-year government bonds have continued to drop and are currently at multi-decade lows of around 1.6%, at a time when several developed-market government bond yields, such as the US, UK, and Japan are at recent highs.

## **Japan: Real wages continued to decline in November.**

Inflation-adjusted wages fell for the fourth straight month in November by -0.3% y/y, slightly less than the declines seen in September and October (-0.4% y/y). Real wages were weighed down by the increase in consumer prices during the same month, which rose (excluding rent) by about 3.4% y/y in November from a 2.6% growth in October. On the other hand, nominal base pay saw the fastest yearly growth in over three decades at 2.7% y/y, driving up total earnings growth to 3.0% from the 2.6% seen in October. Large firms are expected to increase wages in 2025 by around 5%, though notable increases in wages are not expected to filter through to small businesses as a recent survey by the Japan Chamber of Commerce and Industry, a business lobby for SMEs, showed that 48.5% of its members plan to raise wages, but only about 10% plan increases of 5% or more.

**Egypt: Net foreign assets declined in November.** Net foreign assets (NFAs) in the banking system dropped by 35% m/m to \$6.0bn in November from \$9.2bn in October, the second consecutive monthly drop. The fall was mainly driven by a worsening deficit in commercial banks' NFAs, which saw its deficit widen to \$5.8bn from \$1.4bn in October. Meanwhile, the central bank's net foreign asset position rose by \$1.2bn to \$11.8bn. Egypt's overall net foreign asset position has deteriorated from a peak of \$14.3bn recorded in May 2024, though remains much improved on levels from earlier years. Meanwhile, foreign reserves remained high by the end of December 2024 at \$47.1bn, increasing by \$157mn from the November level.

**Chart 1: Egypt net foreign assets in the banking system**  
(\$bn)



Source: CBE

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,466	0.28	-1.17
Bahrain (ASI)	1,978	0.15	0.33
Dubai (DFMGI)	5,209	-0.09	28.31
Egypt (EGX 30)	29,786	-0.48	19.95
GCC (S&P GCC 40)	724	-0.23	1.66
Kuwait (All Share)	7,486	0.11	9.82
KSA (TASI)	12,089	-0.20	1.01
Oman (MSM 30)	4,597	-0.08	1.84
Qatar (QE Index)	10,456	0.04	-3.46

<b>International</b>			
CSI 300	3,789	-0.18	10.44
DAX	20,330	-0.05	21.36
DJIA	42,635	0.25	13.12
Eurostoxx 50	4,996	-0.31	10.50
FTSE 100	8,251	0.07	6.70
Nikkei 225	39,981	-0.26	19.47
S&P 500	5,918	0.16	24.08

3m interbank rates	%	Change (bps)	
		Daily	YTD
Bahrain	5.71	0.00	-81.50
Kuwait	4.00	0.00	-31.25
Qatar	4.65	0.00	-160.00
UAE	4.35	-9.16	-97.44
Saudi	5.42	3.45	-81.38
SOFR	4.34	-1.67	-99.41

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	4.89	11.00	56.9
Oman 2027	5.69	-3.00	53.3
Qatar 2026	4.80	-12.00	28.1
Kuwait 2027	4.96	1.00	62.0
Saudi 2028	5.19	4.00	66.9

<b>International 10YR</b>			
US Treasury	4.69	0.82	83.2
German Bund	2.52	3.85	49.5
UK Gilt	4.80	11.40	125.8
Japanese Gvt Bond	1.17	4.00	55.4

Exchange rates	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.31	-0.06	0.25
KWD per EUR	0.32	-0.27	-3.84
USD per EUR	1.03	-0.20	-6.51
JPY per USD	158.35	0.21	12.26
USD per GBP	1.24	-0.89	-2.88
EGP per USD	50.55	-0.10	63.86

Commodities	\$/unit	Change (%)	
		Daily	YTD
Brent crude	76.16	-1.16	-1.14
KEC	77.68	1.77	2.49
WTI	73.32	-1.25	2.33
Gold	2664.5	0.29	29.19

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

Source: LSEG / Haver