Gulf economies are seen taking two years to recover from virus impact: Oxford Economics

By SXPrashanth
Business News

The Gulf Cooperation Council (GCC) countries have been battered by the virus, which has disrupted economic activity and led to a sharp contraction in GDP across the region. The economic impact of the virus has been particularly severe in the GCC, where oil and gas industries play a crucial role in the economy.

According to Oxford Economics, the region’s economies are expected to contract by 3.8% in 2020, followed by a recovery of 4.0% in 2021. The report notes that the Gulf economies were already vulnerable to the impacts of the coronavirus, due to their heavy reliance on oil and gas exports.

The report highlights that the Gulf economies are facing a range of challenges, including lower oil prices, reduced tourist arrivals, and disrupted supply chains. It notes that the Gulf economies are also facing challenges related to the virus, such as lockdowns and travel restrictions.

The report predicts that the Gulf economies will recover modestly in 2021, but the recovery will be fragile and dependent on the pace of the virus’s containment. It notes that the Gulf economies will need to focus on diversifying their economies and strengthening their financial systems.

The report also highlights the need for the Gulf economies to invest in education and training, to boost the skills of their workforce and make them more competitive in the global economy.

In summary, the Gulf economies are facing a difficult period, but they have the potential to recover if they take the necessary steps to address the challenges they face. The region’s economies will need to focus on diversification, education and training, and financial system strengthening to ensure a strong recovery.
India rejoes US watch list in possible boost for rupee, bonds

Bloomberg

India's addition to the US list for currency manipulation is a trial for everyone. The US's main arguments for adding India to its list have always centered on the rupee's limited flexibility and the large scale of India’s potential capital inflows from charter planes with billion-dollar packages that have pushed the country's reserves to a record $641bn. That's catching the eye of foreign institutional investors, according to the emerging markets team at Bank of America, which keeps a close watch on the world's fourth-largest stock market. The result: the country's currency, the rupee, has been attracting attention from the US.

Bank of America's emerging markets team says it has been monitoring the rupee closely since April, when it was added to the US Treasury's watch list. The team expects the rupee to remain stable in the near term, but it is watching closely for any signs of weakness.

The team's report notes that the rupee has been relatively stable against the US dollar since the start of the year, despite some volatility in recent months. The team attributes this stability to a combination of factors, including the country's large current account surplus and its strong economic fundamentals.

The team says that the rupee is likely to remain stable for the foreseeable future, but it also warns that there are risks to the outlook.

The team notes that the rupee is vulnerable to changes in global risk sentiment, which could cause capital flows to shift away from emerging markets. It also warns that the country's external balance is not as strong as it appears, and that its fiscal policy is not as robust as it seems.

The team's report concludes that the rupee is likely to remain stable for the foreseeable future, but it also warns that there are risks to the outlook. It recommends that investors be cautious and closely monitor the country's economic developments.
Bloomberg

After a slower-than-expected start to 2021, getting some closer to the mark. Positive indicators are emerging, and OPEC+ will not see a return to pre-pandemic prices or levels of demand for oil, even if the pandemic worsens. The Organisation of Petroleum Exporting Countries and its allies are expected to increase output modestly in the coming months, with the aim of balancing the market. However, the decision by OPEC+ to increase output will depend on several factors, including the pace of vaccinations, the effectiveness of new variants, and the potential for a third wave of infections. The market remains uncertain as the situation evolves, and OPEC+ will continue to monitor the situation carefully to make adjustments as needed.
### World Indices

<table>
<thead>
<tr>
<th>Country</th>
<th>Company Name</th>
<th>LPI Price</th>
<th>% Chg</th>
<th>Volumes</th>
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<tr>
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<td>Nikkei 225</td>
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<td>Japan Government Bond Index</td>
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<td>Dow Jones Industrial Average</td>
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<td>CAC 40</td>
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### Eurozone Equity Indices

The strengthened pound weighed on the FTSE 100 and other UK stimuli. Spanish shares were also rising on “hopes that a post-Brexit trade deal will be reached by the end of the year.”

### Tokyo

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<tr>
<td>Sony</td>
<td>11,875.10</td>
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<td>Panasonic</td>
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<td>Suzuki</td>
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<td>ICICI Bank</td>
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### HONG KONG

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<td>China Resources Investment</td>
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<td>4,915,500</td>
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</thead>
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<tr>
<td>Qatar</td>
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<td>Abu Dhabi</td>
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<td>Kuwait Central Government Bonds</td>
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<td>1,725,800</td>
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### Singapore

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<th>Volumes</th>
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</thead>
<tbody>
<tr>
<td>Temasek Holdings</td>
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<tr>
<td>Keppel Corporation</td>
<td>93.00</td>
<td>+23.79</td>
<td>3,630,553</td>
</tr>
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### Stocks mark time despite US stimulus, Brexit hopes

Stocks marked time on Wednesday despite US stimulus hopes and the struggle to clinch transatlantic trade deals.

**For full story, see page 4.**
Weekly jobless claims increase 21,700 to 885,000 as Pentagon and Atlantic factory activity slows in December; housing starts fall 1.2% in November; permit jump 0.2%.

The number of Americans filing first-time claims for jobless benefits unexpectedly rose last week, evidence that the fast-rising Covid-19 infection halted business operations, offering more evidence that the economy’s recovery from the pandemic recession was fading.

That was underscored by other data yesterday showing manufacturing activity in the mid-Atlantic region slowed in December, with the indexes for production and new orders dipping below the breakeven mark.

But the housing market remains robust, with homebuilding and permits growing amid in November. That’s expected to lower mortgage rates and pull up demand.

The weekly unemployment claims survey, which lags behind the government’s monthly employment report, showed a rise of 21,700 to 885,000 for the week ended December 12.

Claims are way above 350,000 peak during the 2007-09 Great Recession, though they have dropped sharply from a record 6.867 million in March.

The weekly unemployment claims data are the latest hard data on the economy’s health, followed in the wake of data on Wednesday showing retail sales declined for a second straight month.

In total 21 million people were receiving benefits in the week ending November 28, up 268,532 from the prior week.

The restrictions and reduced income as millions of unemployed and underemployed pose a growing challenge for millions of Americans, who have to work more jobs.

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The second straight weekly increase lifted claims to their highest level since September, largely pushed higher by fallout from the latest wave of Covid-19 infections hit business operations, offering more evidence that the economy’s recovery from the pandemic recession was fading.

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“That is one of the main reasons why jobless claims are on the rise.”

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India's Sensex sets fresh record as gains extend for fifth day

India's benchmark Sensex index advanced for a fifth day on Thursday, rising 0.9% to set a new record high of 46,995.11.

**Germam bond yields dip on issuance outlook**

German government bonds edged sharply lower, as Europe's fiscal stimulus plans for a further year of hefty financial support for economies in lockdown pumped demand for higher-yielding assets.

After a record level of issuance this year, Germany will issue up to €4 trillion through auctions next year in finance ministry plans to keep its economy in the green amid its worst peacetime recession.

“After the weak auction this week, it is likely that the European Central Bank (ECB) will buy German bonds in large quantities in January,” said Michael Schuermann, head of German sovereigns at Pimco Europe, an arm of US insurer Pacific Investment Management Co (PIMCO). “It looks as if the ECB will buy more bonds every month than planned.”

**EM currencies jump on weak dollar and US stimulus outlook**

The South African rand jumped 0.5% to its highest since early September, supported by the dollar’s weakness amid US stimulus hopes and a potential breakthrough in Sino-US talks.

Most central European currencies gained against the euro, with the South African rand lifting as high as 17.3579, its strongest since mid-August.

“Emerging markets currencies have rallied on US stimulus hopes and a breakthrough in Sino-US talks,” said Andrij Bilytsky, a global strategist at Daiwa Securities in Tokyo. “The dollar’s weakness may continue in line with US spending plans.”

Japan’s Nikkei 225 was 0.2% lower, as crude oil futures rose as much as 2.5% and gold prices fell below $1,800 an ounce, with Mario Draghi’s comments on inflation and the idea of future stimulus measures helping to support the Nikkei. The index has climbed 16% since the start of the year.

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The loss was 0.3%, as the benchmark index fell 0.9%, with the MSCI Emerging Markets Index losing 0.5%.

**Stimulus hopes boost stocks to record as bond yields fall**

British government bond yields fell sharply Monday, as Europe’s fiscal stimulus plans for a further year of hefty financial support for economies in lockdown pumped demand for higher-yielding assets.

"The way that the European Central Bank is trying to pump money into the system is unprecedented," said Michael Schuermann, head of German sovereigns at Pimco Europe, an arm of US insurer Pacific Investment Management Co (PIMCO). "It looks as if the ECB will buy more bonds every month than planned.”

On Wednesday, the European Central Bank (ECB) left its main rate at -0.5% and said it expected to buy at least €1.35 trillion of bonds and other assets under its Pandemic Emergency Purchase Programme (PEPP) until the end of June 2022.

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European Union leaders agreed on the second day of a two-day summit that the EU’s recovery plan should be worth at least €750 billion, or more than 1% of its economic output, and that it should be ready by the end of July.

**London**

London's blue-chip shares have moved into a record range of 8,000-8,500, with the FTSE 100 hitting a new peak of 7,811.76 on Wednesday, while the FTSE 250 also ended higher.

“London stocks are expected to move higher this week, with the FTSE 100 set to move towards the 7,850 level, and the FTSE 250 expected to reach 18,000,” said David Madden, chief market analyst at CMC Markets. “This is all down to the US dollar, which has weakened further."
US banks scramble to extend Covid accounting relief

Swiss National Bank sees no alternative to expansive policy to tackle Covid-19

Norwegian Air shareholders endure financial restructuring plan

Transatlantic hopes for Air Canada's lower bid

US banks scramble to extend Covid accounting relief

The Swiss National Bank has maintained a steady course amid the ongoing pandemic, as reported by Bloomberg. The SNB has brushed off US criticism over its currency intervention policies, stating that it is willing to continue buying foreign currencies, contradicting US claims of currency manipulation.

The SNB's approach has been to maintain a stable exchange rate, ensuring price stability in the face of global economic uncertainty. This strategy is seen as a prerequisite for a robust and resilient economy. The SNB's stance on the currency manipulation issue is a clear indication of its commitment to maintaining price stability and avoiding deflationary pressures.

Swiss economic outlook has central bank to exit coal

The Swiss National Bank (SNB) has maintained its stance on the Swiss franc's exchange rate, indicating that it is willing to continue buying foreign currencies, despite US criticism of its currency intervention policies. The SNB has been steadfast in its commitment to maintaining price stability and avoiding deflationary pressures.

The SNB's approach is a testament to its resolve in navigating the complex global economic landscape. Its unwavering stance on the exchange rate is crucial for ensuring stability and fostering economic growth. The SNB's commitment to maintaining price stability is a key factor in maintaining confidence in the Swiss economy.

Swiss National Bank sees no alternative to expansive policy to tackle Covid-19

Despite the ongoing pandemic, the Swiss National Bank (SNB) has implemented an expansive policy to combat its effects. This approach has been crucial in maintaining stability and supporting the economy. The SNB's actions have helped to mitigate the economic impact of the pandemic, ensuring that Swiss businesses can continue to operate.

The SNB's expansive policy has involved the purchase of foreign currencies to maintain a stable exchange rate. This approach has been essential in providing financial support to Swiss businesses and individuals, ensuring that the economy remains resilient in the face of global economic uncertainty.

Norwegian Air shareholders endure financial restructuring plan

Norwegian Air shareholders are facing a challenging period as the airline undergoes financial restructuring. The company's shareholders have been asked to vote on a revised acquisition offer from Transat, which has been blocked by French regulators.

The revised offer presents an opportunity for Norwegian Air to secure the necessary financial support to continue operations. However, the shareholders' decision will be crucial in determining the company's future. The outcome of the vote will be closely monitored as it will determine the company's ability to navigate the current economic challenges.

Transatlantic hopes for Air Canada's lower bid

Air Canada has announced plans to reduce its transatlantic capacity, which has been hit by the ongoing pandemic. The reduction in capacity is expected to help the airline to recover from its financial challenges. Transat, a Canadian tour operator, has expressed interest in acquiring Air Canada's European operations.

Transatlantic hopes for Air Canada's lower bid have been fueled by the airline's decision to reduce its capacity, which is expected to provide an opportunity for Transat to acquire Air Canada's European operations. However, the final outcome of these plans remains uncertain, as Transat's acquisition offer has been blocked by French regulators.

The reduction in capacity is a testament to the severity of the current economic environment, as airlines worldwide are struggling to recover from the pandemic's impact. Air Canada's decision to reduce its capacity is a strategic move aimed at ensuring its long-term survival in the face of global economic uncertainty.
The BoE, as expected, did not add to its £895bn ($1.2tn) bond purchase programme yesterday, after starting from a weaker position during periods during which non-ne- cessary bond reductions had been taken in the past. The BoE pointed out the good achievements of the economy in the first three months of 2021 may mean that the MPC will continue with its own projections in the future. The BoE, as expected, did not add to its £895bn ($1.2tn) bond purchase programme yesterday, after starting from a weaker position during periods during which non-ne- cessary bond reductions had been taken in the past. The BoE pointed out the good achievements of the economy in the first three months of 2021 may mean that the MPC will continue with its own projections in the future. The BoE, as expected, did not add to its £895bn ($1.2tn) bond purchase programme yesterday, after starting from a weaker position during periods during which non-ne- cessary bond reductions had been taken in the past. The BoE pointed out the good achievements of the economy in the first three months of 2021 may mean that the MPC will continue with its own projections in the future.