

International

USA: The US-China 90-day tariff truce is fraught with uncertainty and may well expire without resolution. The arrest of the Huawei CFO may escalate tensions. Fewer US jobs were added in November than was expected and wages still grew at the same rate (3.1%). The Fed is set to hike the rate in December but may pause next year as the yield curve nears inversion (casting doubt on future economic performance).

Europe: With chances of a 'no' high in Tuesday's UK parliamentary vote on the Brexit Withdrawal Agreement, the PM is under pressure to delay the vote, renegotiate the current deal and perhaps even push back the March 2019 EU leaving date. Last week the government was found in contempt of parliament and forced to publish the full Brexit legal advice, which revealed concerns about the potential for the Irish backstop to lock the UK indefinitely in the EU customs union.

Financial markets: Global equity markets plunged last week, with the MSCI AC World Index falling 3.6% w/w following a sell-off in US markets triggered by fresh US-China trade concerns, a lower-than-expected US jobs number and worries about slowing global growth. The DJIA and S&P both dropped 5% w/w. Yields on 10-year USTs slipped to 2.85%.

Oil: Brent rose on Friday to \$61.7/bbl (+4.9% w/w) after OPEC+ members agreed to cut production by 1.2 mb/d (67% OPEC: 33% non-OPEC) for 6 months starting Jan 2019. Saudi Arabia will bear the brunt of the cuts. The US became a net exporter of crude oil last week for the first time since 1949.

MENA Region

Kuwait: PIFSS data for 2Q18 showed employment of Kuwaiti nationals rising 4.1% y/y; growth in public sector hiring outpaced private sector hiring (4.3% vs. 3.3%). Of the 14,271 y/y rise in jobs, 12,064 were in the public sector. Basic wages rose 1.8% for all employed Kuwaitis, driven by a 13% y/y rise in private sector wages; government wage growth was virtually flat. Consumer spending fell 0.9% y/y in November—the first decline in 17-months—on a drop in purchases of durables and non-durables, according to the NBK Consumer Spending Index. The weaker figures may also reflect the fact that there were fewer working days in November due to the severe weather.

Saudi Arabia: Business activity rose for the second month in

a row in November, with the PMI reaching a near-one-year high of 55.2 on stronger domestic goods/services growth.

UAE: The PMI edged up to a four-month high of 55.8 in November as output, new orders and new export orders increased. Residential real estate prices in Dubai fell at a faster pace (-7.4% y/y) in 3Q18 compared to 2Q18 (-5.8% y/y) because of higher supply and demand tilting toward more affordable housing units.

Qatar: Qatar will withdraw from OPEC in January on "technical and strategic" grounds, though also in the context of its ongoing diplomatic dispute with Saudi Arabia and the UAE. Qatar produces just 2% of total OPEC crude output and is much more heavily focused on natural gas.

Egypt: The MoF announced that custom dollar will remain at EGP16/\$1 for essential goods and semi-finished products, while non-essential products (cars, various shoes, furniture and cigarettes) will be subject to the market exchange rate, currently EGP17.9/\$1. FX reserves edged up to \$44.51 billion in November from \$44.50 billion in October. The PMI increased from 48.6 in October to a three-month high of 49.2 in November, though it is still in contraction territory.

Financial markets: The MSCI GCC index rose 1.7% w/w on strong performances in the Abu Dhabi, Qatari and Saudi markets. Kuwait was up 1.5% ahead of the second phase of the FTSE upgrade and on news that S&P DJI will add it next year to its Global Benchmark Index as an emerging market.

Key takeaways:

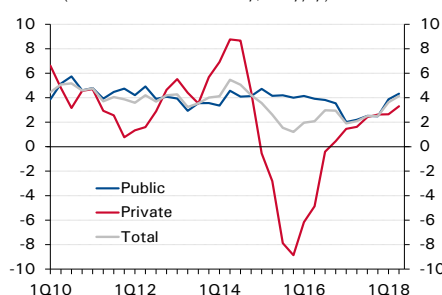
- UK PM May could be under pressure to resign if she loses the vote on Tuesday by a large margin; the opposition Labor Party may table a motion of no-confidence, which, if successful, could lead to a general election.
- The OPEC+ agreement should provide a floor for oil prices in 2019 and restrain a stock buildup amid weaker oil demand.
- Qatar's withdrawal from OPEC is more symbolic than material given its small share of OPEC oil production.
- The pick-up in hiring of Kuwaiti nationals in Q2 provides some grounds for optimism on consumer spending, despite the soft November consumer spending figures.
- Egypt's decision to raise the custom dollar exchange rate could put upward pressure on inflation.

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



Source: Thomson Reuters Datastream

▶ **Chart 2: Kuwait employment**
(Kuwaiti nationals only, % y/y)



Source: PIFSS

▶ **Chart 3: Egypt PMI**
(Index, 50=no change)



Source: IHS Markit, Emirates NBD

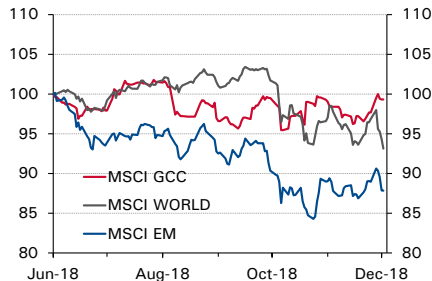
Key data

Stock markets	Index	Change (%)		Bond yields	%	Change (bps)		Interbank rates	%	Change (bps)					
		1-week	YTD			1-week	YTD			1-week	YTD				
International															
CSI 300	3,182	0.3	-21.1	UST 10 Year	2.85	-16.3	43.9	Bhibor - 3 month	3.80	5.0	107.5				
DAX	10,788	-4.2	-16.5	Bunds 10 Year	0.25	-5.6	-17.1	Kibor - 3 month	2.13	0.0	25.0				
DJIA	24,389	-4.5	-1.3	Gilts 10 Year	1.27	-9.8	8.1	Qibor - 3 month	2.79	-5.1	4.8				
Eurostoxx 50	3,059	-3.6	-12.7	JGB 10 Year	0.06	-3.0	0.6	Eibor - 3 month	2.79	12.3	99.2				
FTSE 100	6,778	-2.9	-11.8	Regional											
Nikkei 225	21,679	-3.0	-4.8	Abu Dhabi 2022	3.47	-18.1	52.4	Kuwait 2022	3.35	-23.0	54.6				
S&P 500	2,633	-4.6	-1.5	Dubai 2022	3.97	-5.2	83.2	KSA 2023	3.86	-15.2	64.4				
Regional															
Abu Dhabi SM	4,842	1.5	10.1	Commodities											
Bahrain ASI	1,317	-1.1	-1.1												
Dubai FM	2,548	-4.5	-24.4												
Egypt EGX 30	12,162	-7.5	-19.0												
S&P GCC 40	1,124	1.5	14.2												
Kuwait SE	5,185	1.4	7.3												
KSA Tadawul	7,840	-0.1	8.5												
Muscat SM 30	4,548	2.9	-10.8												
Qatar Exchange	10,613	2.9	24.5												
Exchange rates															
KWD per USD	0.304	-0.1	0.8												
KWD per EUR	0.346	-0.3	-2.6												
USD per EUR	1.138	0.5	-5.2												
JPY per USD	112.7	-0.7	0.0												
GBP per USD	1.273	-0.2	-5.8												
EGP per USD	17.86	0.0	0.7												

Updated on 7/12/2018 Source: Thomson Reuters Eikon

International equity markets

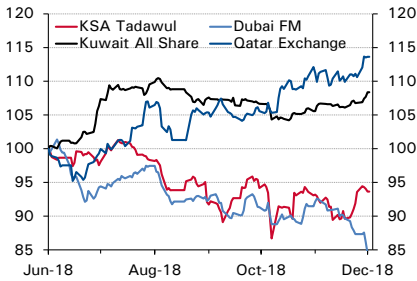
(rebased, 6 June 2018=100)



Source: Thomson Reuters Datastream

GCC equity markets

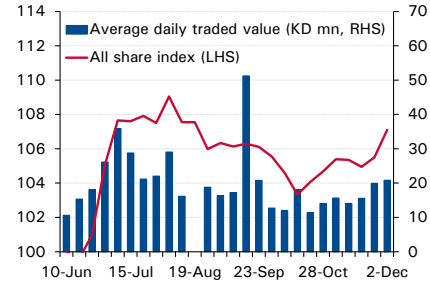
(rebased, 6 June 2018=100)



Source: Thomson Reuters Datastream

Boursa Kuwait

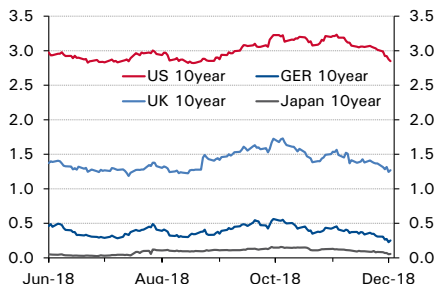
(equity prices and trading activity)



Source: Thomson Reuters Datastream

International bond yields

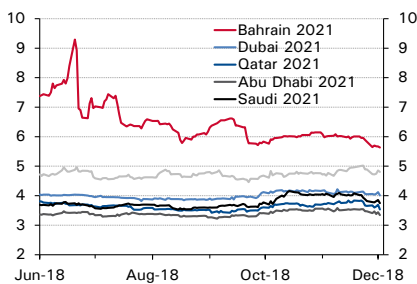
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Source: Thomson Reuters Datastream

GCC bond yields

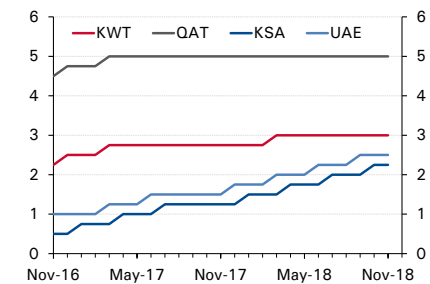
(%)



Source: Thomson Reuters Datastream

GCC key policy rates

(%)



Source: Thomson Reuters Datastream