

International and markets

US: The CPI for October came lower-than-expected, rising by 0.4% m/m, translating into a y/y increase of 7.7%, down from 8.2% in September. The core index increased by 0.3% m/m (consensus at 0.5%, September at 0.6%) cutting the y/y increase to 6.3% through October from 6.6% the month before. The increase in the core index in October was fully driven by the services sub-index, while the goods sub-index dropped by 0.4% m/m. Meanwhile, mortgage applications continued to drop, falling for the sixth week in a row, and are now around 70% lower than the same period last year, driven by higher mortgage rates. Finally, although final mid-term congressional election results are still pending, the Democratic Party looks set to maintain a slender control of the Senate but lose control of the House of Representatives, providing overall limited scope for the easy passage of President Biden's policy agenda.

Europe: UK 3Q22 GDP contracted by a less-than-expected 0.2% q/q (-0.5% forecast) in Q3 versus +0.2% in Q2, slowing the y/y growth to +2.4% from +4.4%, after upward revisions to estimates for July and August. The economy is now 0.2% smaller than its pre-pandemic level. Retail sales values rose 1.2% y/y in October, decelerating from 1.8% in September, significantly lagging behind 10%+ inflation. Meanwhile, in the Eurozone, retail sales volumes declined by a smaller 0.6% y/y in September (-1.4% in August). Finally, the European Commission downgraded its Eurozone 2023 GDP growth forecast to 0.3% (1.4% earlier), with 6.1% inflation.

China: The government eased some strict Covid-related protocols, including shortening the quarantine period for close contacts while removing identification requirements for secondary contacts. Meanwhile, October CPI inflation eased to 2.1% y/y from a 29-month high of 2.8% in September, while PPI inflation fell for the first time since December 2020 to -1.3% y/y from +0.9% in September.

Financial markets: Global equity markets were mostly positive as lower than expected US inflation data raised hopes of less hawkish Fed policy. The S&P500 and DJIA surged 5.9% and 4.1% respectively in their best week since June. Equities were also supported by lower bond yields, with the 10 year UST down 33 bps w/w to 3.83%. GCC markets were mixed but little changed overall (MSCI GCC -0.1%), with gains in Kuwait (2.4%) and Qatar (2%) offset by losses in Saudi Arabia (-2%).

Oil: Brent ended the week on the rise, posting two consecutive days of gains (though a first weekly decline since mid-Oct) at

\$95.99/bbl (-2.6% w/w; +23.4% ytd) as China's announcement of shortened Covid quarantine times and the US's milder-than-expected inflation reading (which also weakened the dollar) offset earlier, bearish US oil stock builds.

MENA Region

Kuwait: Real estate sales picked up in October at KD295mn, increasing by 20.4% y/y as the decline in residential sales eased to -6% y/y to KD157mn, while sales in the investment and commercial sector continued to increase by 33.9% and (a base-effect driven) 787% y/y, respectively.

Qatar: The Qatar Financial Centre PMI dropped to 48.4 in October from 50.7 in September of 2022, the lowest reading since June of 2022 due to a fall in new orders as preparations for the World Cup wrapped up.

Egypt: Inflation reached 16.2% y/y and 2.5% m/m during October, up from 15.1% y/y in September. The rise however does not yet capture the price impact of the drop in the pound which occurred at the end of the month. Meanwhile, Fitch Ratings revised the outlook on Egypt's Long-Term Foreign-Currency Issuer Default Rating to Negative from Stable. Egypt received US\$ 1bn from Qatar Investment Authority.

Key takeaways:

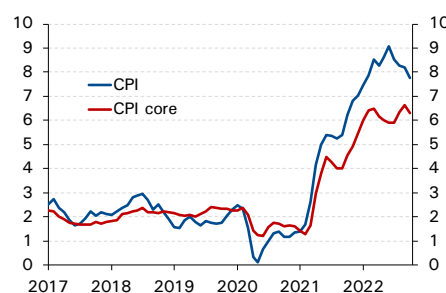
- The lower-than-expected US CPI, especially the slowdown in services price pressures and the outright deflation in goods prices, was a major relief. If the November CPI reflects a similar trend, we think a 75 bps hike in December will be off the table.
- Following the slight contraction in Q3 GDP, the UK's economic downturn will likely worsen, with the new administration set to announce public spending cuts along with tax rises this week amid contractionary PMI readings, weakening retail sales, and falling housing prices.
- Kuwait's real estate sector showed signs of improvement in October following disappointing (perhaps seasonally-affected) sales activity in Q3, supported by the increase in oil prices and steady recovery in the non-oil economy and despite tighter financial conditions and high valuations.
- In Egypt, following September's rise, we expect inflation to reach a peak of 22% by February 23 and average 18% in FY22/23 overall. The central bank could hike its policy rates by 2% at its December meeting as it looks to bring inflation back closer towards its existing (though soon likely to be revised up) 5-9% target range.

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



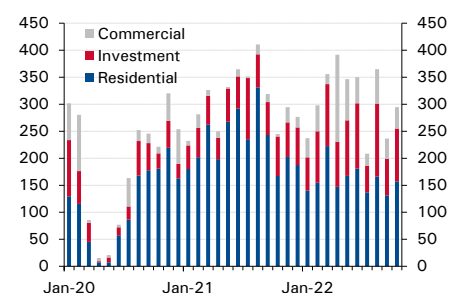
Source: Refinitiv

▶ **Chart 2: US CPI**
(% change)



Source: Haver

▶ **Chart 3: Kuwait real estate sales**
(% y/y)



Source: Ministry of Justice

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,788	0.6	-23.3
DAX	14,225	5.7	-10.5
DJIA	33,748	4.1	-7.1
Eurostoxx 50	3,869	4.9	-10.0
FTSE 100	7,318	-0.2	-0.9
Nikkei 225	28,264	3.9	-1.8
S&P 500	3,993	5.9	-16.2
Regional			
Abu Dhabi SM	10,630	1.4	25.2
Bahrain ASI	1,866	0.2	3.8
Dubai FM	3,407	1.7	6.6
Egypt EGX 30	11,757	4.4	-1.6
MSCI GCC	748	-0.1	1.5
Kuwait SE	7,542	2.4	7.1
KSA Tadawul	11,212	-2.0	-0.6
Muscat SM 30	4,428	0.6	7.2
Qatar Exchange	12,557	2.0	8.0

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.83	-32.9	231.7
Bunds 10 Year	2.16	-13.1	233.7
Gilts 10 Year	3.36	-19.3	238.5
JGB 10 Year	0.24	-1.0	17.0
Regional			
Abu Dhabi 2027	4.34	-46.2	143.3
Oman 2027	5.84	-81.5	32.9
Qatar 2026	4.59	-48.1	163.0
Kuwait 2027	4.51	-24.1	163.0
Saudi Arabia 2028	4.77	-54.9	125.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	96.0	-2.6	23.4
KEC	95.0	-1.3	20.2
WTI	89.0	-3.9	18.3
Gold	1766.0	5.6	-3.4

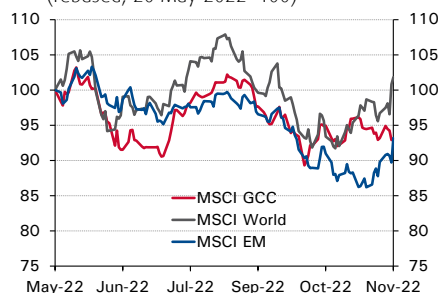
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	5.73	1.7	421.7
Kibor - 3 month	3.94	25.0	243.8
Qibor - 3 month	4.70	225.0	357.5
Eibor - 3 month	4.36	6.3	399.1
Saibor - 3 month	5.82	22.2	491.9
Libor - 3 month	4.61	5.6	439.7
Sofr - 3 month	4.27	10.0	417.4
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.307	-1.0	1.5
KWD per EUR	0.318	4.5	-7.6
USD per EUR	1.035	3.9	-8.9
JPY per USD	138.8	-5.3	20.6
USD per GBP	1.184	4.0	-12.5
EGP per USD	24.34	0.6	55.4

Updated on 11/11/2022

Source: Refinitiv

International equity markets

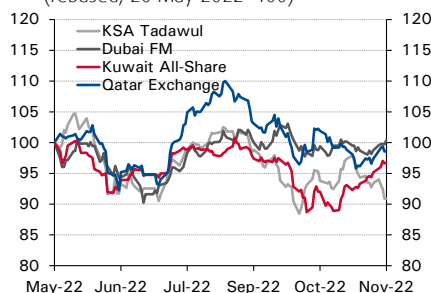
(rebased, 20 May 2022=100)



Source: Refinitiv

GCC equity markets

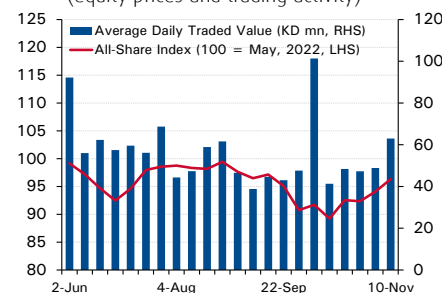
(rebased, 20 May 2022=100)



Source: Refinitiv

Bursa Kuwait

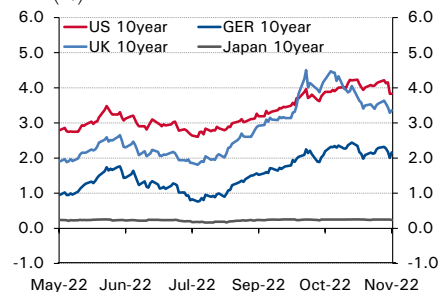
(equity prices and trading activity)



Source: Refinitiv

International bond yields

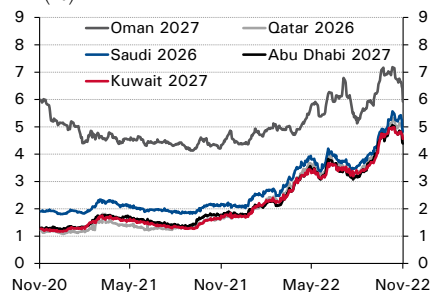
(%)



Source: Refinitiv

GCC bond yields

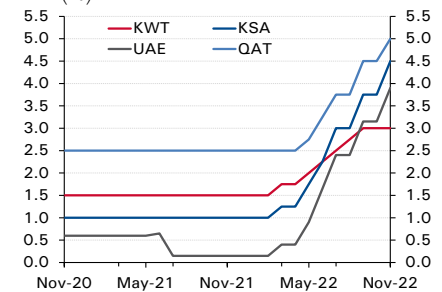
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv