

International

US: Democrat Joe Biden became President-elect, defeating four-year incumbent Donald Trump by a projected 306-232 in the electoral college and 51-48% in the popular vote, though Trump has pledged to contest the result in court. The Federal Reserve – pressured by Trump to loosen policy over much of his term – left policy on hold but chair Jay Powell said the economic recovery was ‘moderating’ and again stressed the need for further fiscal stimulus that the market is indeed expecting as part of a new administration. Non-farm payrolls encouragingly beat expectations in October, rising 638,000 (672,000 in September) while the unemployment rate fell to 6.9% (7.9% in September). Finally, ISM activity survey readings were very solid for both services (56.6) and manufacturing (59.3), with new orders in the latter jumping to a 16-year high of 67.9.

UK: The Bank of England increased the size of its asset purchase program by £150 billion to £895 billion to support the economy. The government also extended its furlough scheme until March, including paying 80% of the salary of those unable to work. The country entered a new one-month nationwide lockdown last Thursday to combat rising virus infections, though the economic impact should be less severe than the previous lockdown in Q2.

Financial markets: Global equities were positive as the US election results drew closer. The MSCI AC world gained 6.9% w/w, led by the Euro Stoxx 50 (8.3%) and the S&P500 (7.3%). The US 10-year treasury yield lost 4 bps to 0.82%, despite a surge towards the end of the week on strong US jobs data.

Oil: Brent crude rose 5.3% w/w for its first weekly rise in three weeks, though fell back below \$40 on Friday to end at \$39.5/bbl on a combination of election outcome uncertainty and surging coronavirus cases. Crude had earlier been helped by reports that OPEC and Russia were moving closer to a base case three-month delay of the OPEC+ cuts in January.

MENA Region

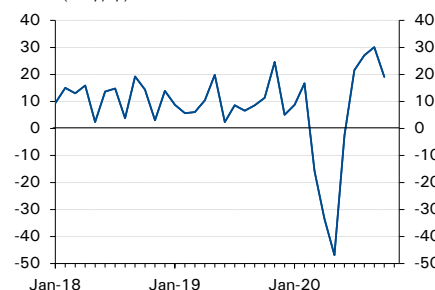
Kuwait: Inflation came in at 2.0% y/y in September versus August’s 2.2% with food inflation rising to 7.0% but education costs plunging 15.1% amid MoE cuts to tuition fees. Core inflation (i.e. excluding food and housing) fell to 1.8% (2.7% in August). Meanwhile, Knet data show consumer spending was still up a strong 19% y/y in October, if down from 30% in September as the post-lockdown boost fades. Online transactions were still up a robust 114%, with POS sales +7.7%.

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



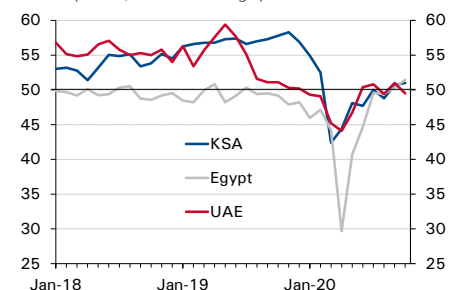
Source: Refinitiv

► **Chart 2: Kuwait consumer spending** (% y/y)



Source: Refinitiv

► **Chart 3: MENA region PMIs** (index, 50=no change)



Source: IHS Markit

Saudi Arabia: The PMI inched up to 51 in October (50.7 in September), its highest since February as the output index rose to 52.9 while new orders eased to 50.9. Meanwhile, labor reforms were approved (effective 14 March 2021) that enhance the contractual relationship between expatriate employees and employers, in terms of job mobility and country exit/entry during and at the end of workers’ contracts.

UAE: The PMI in October dipped below the 50 benchmark for the second time since June, at 49.5, with the employment index at 47.6 extending the streak of job cuts since the start of the year. The federal government approved a AED58 billion budget for 2021, down 5% from AED61 billion in 2020. Still, the government confirmed that it would continue to implement major projects while mitigating the impact of Covid-19 crisis.

Oman: A new medium-term fiscal plan (National Plan for Fiscal Balance 2020-2024) could see the introduction of the GCC’s first income tax on wealthy individuals from 2022. The sultanate aims to bring the budget deficit down to 1.7% of GDP by 2024 from an (NBK) estimated 16% of GDP in 2020.

Egypt: The PMI rose to 51.4 in October from 50.4 in September and to a near six-year high, signaling continued recovery from previous Covid-19-driven weakness. Firms cited improved demand and rising capacity amid looser virus-related restrictions compared to earlier in the year.

Financial markets: GCC markets were mostly positive in line with a surge in global markets and higher oil prices. The MSCI GCC rose 1.9% w/w with Kuwait’s All-Share index up 0.6%.

Key takeaways:

- The US may return to a less confrontational approach to policymaking under President-to-be Biden including a de-escalation of trade-war rhetoric. But Democrats’ likely failure to take the Senate will make more ambitious parts of their policy agenda (tax hikes, environmental regulations) tough to pass.
- Still soft-ish PMI scores in both Saudi Arabia and (especially) the UAE signal a tepid pace of economic recovery across the GCC, with firms reporting continued job cuts and oil prices failing to gain much traction despite last week’s rise.
- The reforms to the kafala system in Saudi Arabia, which fall under the National Transformation Program, are a step in the right direction that will enhance the overall labor environment in the country and make it more attractive for expatriates.

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,886	4.1	19.3
DAX	12,480	8.0	-5.8
DJIA	28,323	6.9	-0.8
Eurostoxx 50	3,204	8.3	-14.4
FTSE 100	5,910	6.0	-21.6
Nikkei 225	24,325	5.9	2.8
S&P 500	3,509	7.3	8.6
Regional			
Abu Dhabi SM	4,718	1.2	-7.0
Bahrain ASI	1,442	1.0	-10.5
Dubai FM	2,160	-1.3	-21.9
Egypty EGX 30	10,629	1.1	-23.9
MSCI GCC	516	1.9	-8.9
Kuwait SE	5,475	0.6	-12.9
KSA Tadawul	8,089	2.3	-3.6
Muscat SM 30	3,551	-0.2	-10.8
Qatar Exchange	9,889	2.0	-5.1

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	0.82	-3.9	-109.0
Bunds 10 Year	-0.62	0.7	-43.0
Gilts 10 Year	0.28	1.3	-54.9
JGB 10 Year	0.02	-2.1	4.2
Regional			
Abu Dhabi 2022	0.65	-3.3	-139.0
Dubai 2022	0.91	-13.5	-156.0
Qatar 2022	0.70	-7.3	-136.0
Kuwait 2022	0.70	-14.3	-136.0
KSA 2023	0.91	-7.6	-139.2
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	39.5	5.3	-40.2
KEC	40.2	9.0	-41.2
WTI	37.1	3.8	-39.2
Gold	1950.3	3.9	28.4

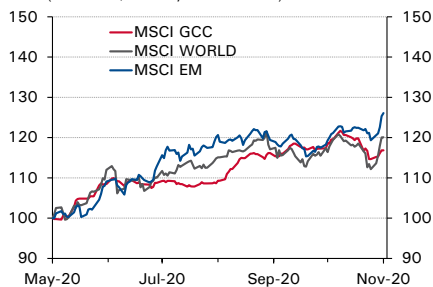
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhabor - 3 month	2.25	0.0	-41.7
Kibor - 3 month	1.44	-12.5	-131.3
Qibor - 3 month	0.97	19.9	-128.4
Eibor - 3 month	0.49	5.5	-171.9
Saibor - 3 month	0.85	-0.1	-138.6
Libor - 3 month	0.21	-0.1	-169.5
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.305	0.0	0.7
KWD per EUR	0.363	1.3	9.0
USD per EUR	1.187	1.9	5.9
JPY per USD	103.3	-1.3	-4.9
USD per GBP	1.316	1.7	-0.8
EGP per USD	15.64	-0.1	-2.3

Updated on 6/11/2020

Source: Refinitiv

International equity markets

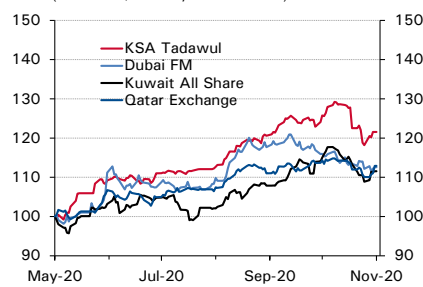
(rebased, 6 May 2020=100)



Source: Refinitiv

GCC equity markets

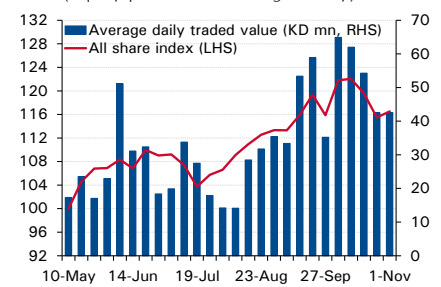
(rebased, 6 May 2020=100)



Source: Refinitiv

Boursa Kuwait

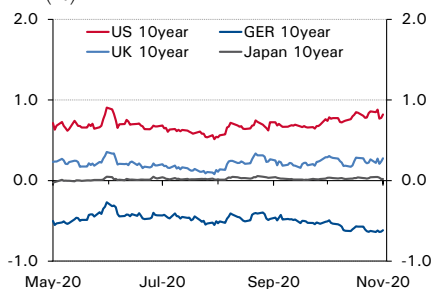
(equity prices and trading activity)



Source: Refinitiv

International bond yields

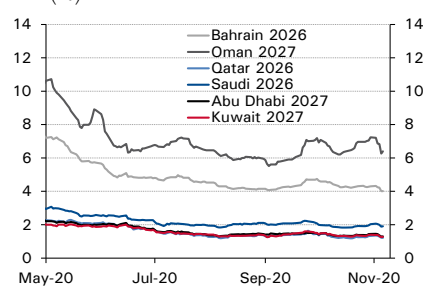
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Source: Refinitiv

GCC bond yields

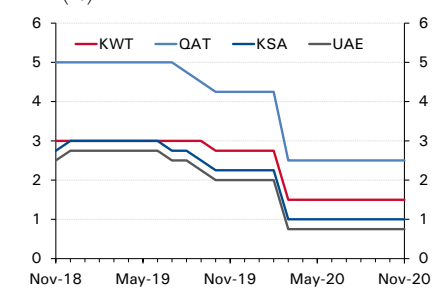
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv