

International

US: President Trump warned that if the before-now seemingly-close phase one trade agreement did not materialize, the US could raise tariffs on China "very substantially". Meanwhile in a mixed report, consumer price inflation picked up slightly to 1.8% y/y in October (1.7% in September), but the core rate edged down to 2.3% (from 2.4% in September). Industrial production declined by 0.8% in October, the largest drop since May 2018, while retail sales increased by 0.3% in October (vs. 0.2% expected). Finally, in his testimony to Congress, Fed chair Jay Powell said that monetary policy will likely "remain appropriate", pointing to no further interest rate cuts ahead.

Europe: German GDP rose by a slight 0.1% q/q in 3Q19, narrowly avoiding a technical recession, having contracted by a revised 0.2% in Q2. This was due to stronger domestic demand and a surprisingly strong export performance. The ZEW survey of investor sentiment also gave cause for optimism, jumping from -22.8 to -2.1 in November on better trade prospects.

Financial markets: Global equities rose last week amid signs of progress in US-China trade talks. Major US indices hit all-time highs, as the S&P500 advanced for its sixth consecutive week (0.9% w/w), while the DJI rose 1.2% w/w.

Oil: Brent crude closed the week up again by 1.3% w/w, to \$63.3/bbl (+17.7% ytd), its highest level in almost 2 months. Oil's recent gain has been driven by increasing optimism about a US-China trade deal and signs that, despite record high output (12.8 mb/d), US shale may not be able to sustain its momentum going forward. Nevertheless, the IEA recently estimates that OPEC and its allies will face a 'major challenge' next year as demand for their crude falls sharply amid rising non-OPEC supply growth.

MENA Region

Kuwait: Recently released official figures for 2018 show real GDP rose 1.2% versus a fall of 4.7% in 2017 (revised from -3.5% before). This was due to a modest recovery in oil GDP (extraction plus refining), which edged up 0.2% after plunging 9.0% in 2017 on OPEC-driven cuts in crude output. Non-oil growth meanwhile slowed to 2.3% from 2.6% in 2017, on softness in utilities (-4.0%), finance (-0.1%), trade (+0.8%) and public administration (+0.9%).

Saudi Arabia: The just announced Aramco IPO price range will be SAR 30-32 per share. This translates into a total valuation of \$1.6-1.7 trillion. The IPO will be for 1.5% of Aramco's total outstanding shares, potentially raising between \$24-25.6 billion. The final price will be announced on December 5. The retail investors' subscription price will be at the top end of the range, i.e. SAR 32 per share. Meanwhile, VAT returns for 2018 stood at SAR 46.7 billion significantly exceeding the government's original estimate of SAR 22.6 billion, representing around 1.6% of 2018 nominal GDP.

UAE: The UAE is set to launch a new exchange, ICE Futures Abu Dhabi, and a futures contract based on its Murban crude blend in early 2020 to rival the existing crude benchmarks of Brent and WTI. Meanwhile, inflation in Abu Dhabi is still negative, declining by 1.1% y/y in October (1.8% in September), on continued decline in housing services (-3.7%).

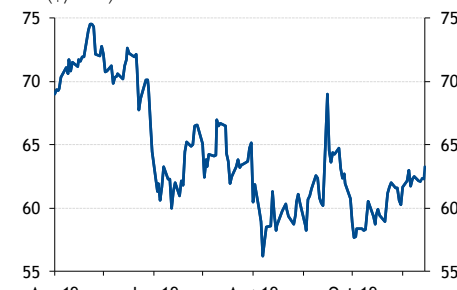
Egypt: With inflation falling to 3.1% in November, the Central Bank cut the main interest rates by 100 bps, for the third consecutive time, leaving the overnight deposit rate at 12.25% and the overnight lending rate at 13.25%. Meanwhile, Egypt sold €695 million worth of one-year euro-denominated treasury bills in November at an average yield of 1.434%, and started marketing a triple-tranche issuance of US dollar-denominated bonds. The ministry of finance is targeting a budget deficit of 6.2% of GDP in FY2020/21 on a growth rate of 6.4%.

Financial markets: GCC stocks were mostly positive, with the MSCI-GCC up 1.3% w/w. Gains were led by Saudi Arabia (1.6%), Oman (1.1%), and Qatar (0.9%), while Kuwait's All-share made relatively modest gains (0.6%), although its premier index was up a solid 1.2% w/w.

Key takeaways:

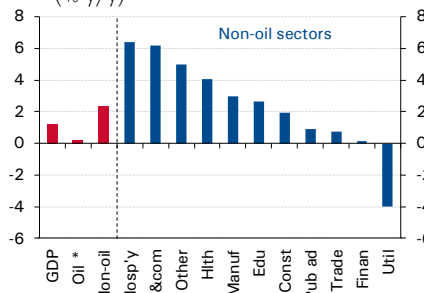
- The recent oil price increase may be temporary amid expectations of rising non-OPEC supply in 2020 and moderate demand growth; further OPEC cuts are not likely, though, especially with Nigeria and Iraq yet to fully comply.
- Kuwait's steady but moderate non-oil economic growth outturn for last year was more or less in line with our expectations, and we expect non-oil growth to remain close to 2.5% both this year and next.
- After three consecutive interest rate cuts, Egypt's real rates remain "attractive" to investors, compared to other emerging economies, especially on domestic debt instruments.

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



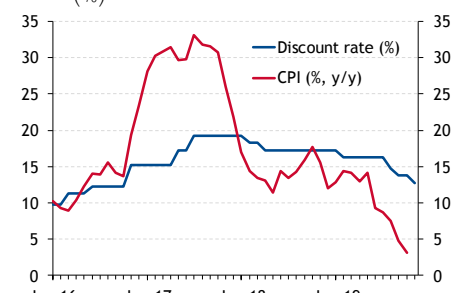
Source: Refinitiv

▶ **Chart 2: Kuwait real GDP, 2018** (% y/y)



Source: Central Statistical Bureau / NBK

▶ **Chart 3: Egypt's inflation** (%)



Source: IHS Markit

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,877	-2.4	28.8
DAX	13,242	0.1	25.4
DJIA	28,005	1.2	20.1
Eurostoxx 50	3,712	0.3	23.7
FTSE 100	7,303	-0.8	8.5
Nikkei 225	23,303	-0.4	16.4
S&P 500	3,120	0.9	24.5
Regional			
Abu Dhabi SM	5,138	0.1	4.5
Bahrain ASI	1,505	-0.9	12.5
Dubai FM	2,701	0.1	6.8
Egypt EGX 30	14,546	-1.7	11.6
MSCI GCC	543	1.3	-50.7
Kuwait SE	5,729	0.6	12.8
KSA Tadawul	7,924	1.6	1.2
Muscat SM 30	4,084	1.1	-5.5
Qatar Exchange	10,363	0.9	0.6

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.83	-9.9	-85.7
Bunds 10 Year	-0.33	-6.6	-57.8
Gilts 10 Year	0.73	-6.1	-53.9
JGB 10 Year	-0.07	-0.8	-6.8
Regional			
Abu Dhabi 2022	2.15	0.0	-114.6
Dubai 2022	2.68	-3.1	-124.5
Qatar 2022	2.19	4.1	-125.9
Kuwait 2022	2.15	0.1	-116.9
KSA 2023	2.48	13.5	-140.2

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.78	0.0	-116.7
Kibor - 3 month	2.75	0.0	43.8
Qibor - 3 month	2.35	5.0	-55.6
Eibor - 3 month	2.14	-7.5	-69.8
Saibor - 3 month	2.23	0.0	-74.6
Libor - 3 month	1.90	0.3	-90.4

Exchange rates	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	0.0	0.1
KWD per EUR	0.334	0.1	-4.2
USD per EUR	1.105	0.3	-3.7
JPY per USD	108.7	-0.5	-0.8
USD per GBP	1.290	1.0	1.1
EGP per USD	16.08	-0.1	-10.0

Commodities	\$/unit	Change (%)	
		1-week	YTD
Brent crude	63.3	1.3	17.7
KEC	64.0	1.7	22.5
WTI	57.7	0.8	27.1
Gold	1467.3	0.4	14.8

Updated on 15/11/2019 Source: Refinitiv

International equity markets

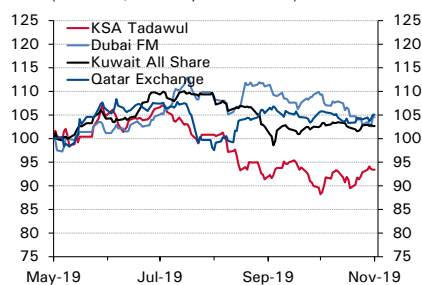
(rebased, 15 May 2019=100)



Source: Refinitiv

GCC equity markets

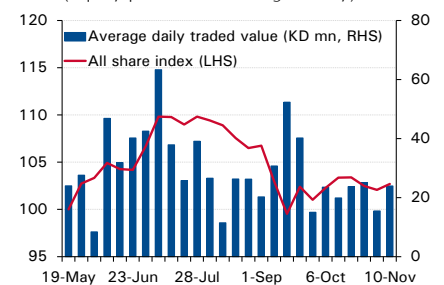
(rebased, 15 May 2019=100)



Source: Refinitiv

Bursa Kuwait

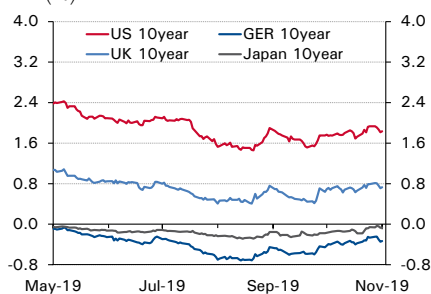
(equity prices and trading activity)



Source: Refinitiv

International bond yields

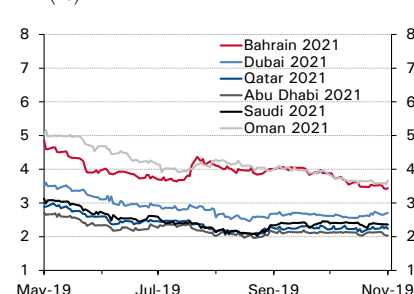
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Source: Refinitiv

GCC bond yields

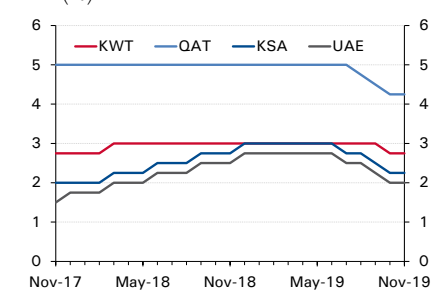
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv