

International

US: There were mixed messages from the September jobs data, with employment gains slowing to 136,000 m/m (and August revised stronger) and wage growth falling back below 3% at 2.9% y/y, but the unemployment rate dipped to a 50-year low of 3.5%. PMI survey data for September meanwhile came in worryingly below expectations, with the ISM manufacturing index falling deeper into recession territory at 47.8 (export orders at 41) and the services index softening to a three-year low of 52.6. Separately, the US will impose WTO-authorized 25% tariffs on a range of imports from the EU from mid-month following a long-running row over aircraft subsidies.

UK: PM Boris Johnson put forward a new Brexit deal proposal to the EU that aims to address the Irish border issue, involving Northern Ireland staying aligned with EU single market rules for goods but moving customs checks away from the sensitive land border with Ireland. Johnson continues to insist that the UK will leave the EU with or without a deal at the end of October, despite parliament passing a law that requires him to seek an extension if a deal is not agreed by mid-month.

Financial markets: Equities fell on rising global growth concerns amid weak US data. The MSCI AC World fell 1% w/w, led by a 2.8% drop in the Eurostoxx 50 while the DJI was less affected, down 0.9%. Safe haven assets rallied, with the US 10-year treasury yield dropping 16 bps w/w to 1.51%.

Oil: Brent posted its worst week since July, down 5.7% w/w at \$58.4/bbl, due in part to the quick resumption of oil production by Saudi Arabia. The weakening global economic backdrop, including US-China trade tensions, and crude stock gains also continue to weigh heavily on the oil market

MENA Region

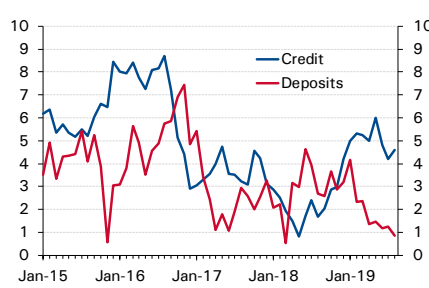
Kuwait: Bank credit growth rose to 4.6% y/y in August from 4.2% in July, helped by a rebound in business lending to 4.6% from 4.2% in July. Lending to households ticked down to 5.3% mainly to a drop in housing loans. Personal consumer loans (i.e. excluding housing) however surged 31% in continued response to the loosening of loan regulations by the central bank late last year. Deposit growth slowed to 0.8% on a slight fall in private deposits. Meanwhile, Ara's consumer confidence index came in at 105 in August, down from 109 in July and the 112 annual average recorded in 2018 mainly on the back of falls in the purchase of durable goods and current job opportunities.

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



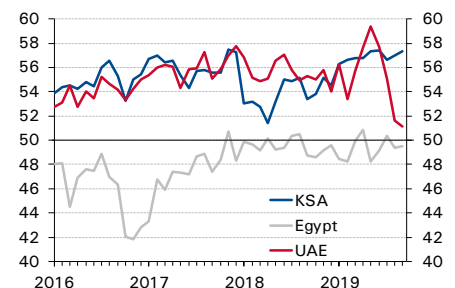
Source: Refinitiv

▶ **Chart 2: Kuwait credit and deposits** (% y/y)



Source: Refinitiv

▶ **Chart 3: MENA region PMIs** (50=no change)



Source: IHS Markit

Saudi Arabia: The PMI reached a three-month high of 57.3 (57.0 in August), with the output component expanding at the fastest pace since December 2017. The data appears to support non-oil GDP growth of around 3% y/y. Official data showed non-oil growth in Q2 rising at the fastest rate (2.9%) since 2015, on strong private sector growth of 3.4%. However headline growth slowed to 0.5% from 1.7% in 1Q19 due to a contraction in oil sector output on OPEC production cuts. Meanwhile, Fitch downgraded Saudi Arabia's credit rating to A from A+ partly on "rising geopolitical and military tensions in the Gulf region" and deterioration in fiscal and external balance sheets. Finally, bank credit was broadly flat in August 2019 resulting in a limited 3% y/y rise, but still the fastest increase since 2016.

UAE: The PMI fell to 51.1 September from 51.6 in August, with new orders at their weakest since 2010. Output prices fell despite a moderate rise in input prices, indicating discounting amid competitive pressures. Official data show inflation negative at -2.0% y/y in August, driven by falling housing rents.

Egypt: Food subsidies affecting 1.8 million Egyptians were reinstated at the end of September under directions from President Sisi. Also, fuel prices have been cut by 25 piasters per liter, as Egypt started to automatically adjust domestic fuel prices in line with international oil prices.

Financial markets: GCC equities tracked their global counterparts lower, with downward pressure compounded by falling oil prices. The GCC MSCI lost 1.9% w/w with Kuwait, Dubai, and Saudi Arabia, down 1.3% each.

Key takeaways:

- Softer US hiring, slowing wage growth and weak survey activity scores in both manufacturing and services have boosted the chances of an October rate cut by the Fed, with futures markets now pricing in a 76% chance of a 25bps move.
- The implications of the US's "second trade war" with the EU and the outcome of the trade talks with China to take place this week will have a major bearing on growth and rate setting.
- The UK's latest Brexit proposals met with a frosty response from the EU, and the prospects of a deal being agreed in mid-October look slim. The EU are likely calculating that the UK will be forced to request another extension, and following a general election, that a new more pro-EU government could follow.

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,815	-1.0	26.7
DAX	12,013	-3.0	13.8
DJIA	26,574	-0.9	13.9
Eurostoxx 50	3,447	-2.8	14.8
FTSE 100	7,155	-3.6	6.4
Nikkei 225	21,410	-2.1	7.0
S&P 500	2,952	-0.3	17.8
Regional			
Abu Dhabi SM	5,028	-0.8	2.3
Bahrain ASI	1,513	-0.6	13.1
Dubai FM	2,761	-1.3	9.1
Egypt EGX 30	14,218	2.6	9.1
MSCI GCC	537	-1.9	0.3
Kuwait SE	5,636	-1.3	10.9
KSA Tadawul	7,921	-1.3	1.2
Muscat SM 30	4,026	0.3	-6.9
Qatar Exchange	10,311	-1.0	0.1

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.51	-15.9	-117.7
Bunds 10 Year	-0.59	-1.0	-83.3
Gilts 10 Year	0.44	-5.6	-82.5
JGB 10 Year	-0.21	3.0	-21.1
Regional			
Abu Dhabi 2022	2.12	-8.8	-117.9
Dubai 2022	2.64	-5.3	-129.3
Qatar 2022	2.13	-2.6	-132.2
Kuwait 2022	2.12	-10.6	-120.2
KSA 2023	2.30	-7.9	-157.9
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	58.4	-5.7	8.5
KEC	59.0	-6.2	13.0
WTI	52.8	-5.5	16.3
Gold	1506.2	0.5	17.8

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	3.02	0.0	-93.3
Kibor - 3 month	2.88	0.0	56.3
Qibor - 3 month	2.57	-1.4	-33.3
Eibor - 3 month	2.29	-6.3	-54.8
Saibor - 3 month	2.34	-1.4	-63.1
Libor - 3 month	2.04	-6.1	-76.5
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	-0.1	0.2
KWD per EUR	0.333	0.3	-4.3
USD per EUR	1.098	0.3	-4.3
JPY per USD	106.9	-0.9	-2.4
USD per GBP	1.233	0.4	-3.3
EGP per USD	16.26	0.0	-9.0

Updated on 4/10/2019

Source: Refinitiv

International equity markets

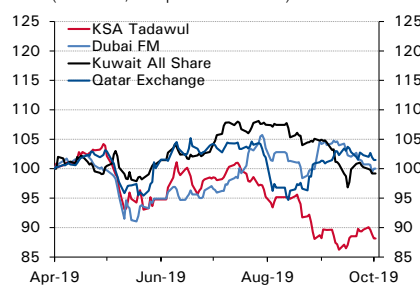
(rebased, 3 April 2019=100)



Source: Refinitiv

GCC equity markets

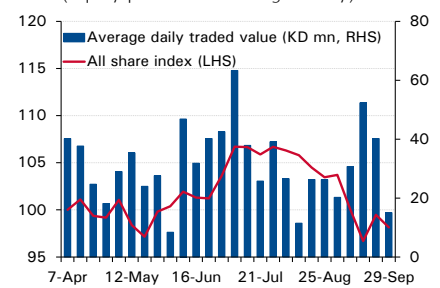
(rebased, 3 April 2019=100)



Source: Refinitiv

Boursa Kuwait

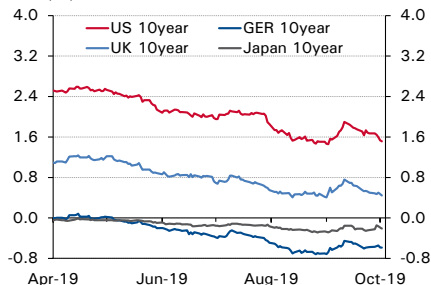
(equity prices and trading activity)



Source: Refinitiv

International bond yields

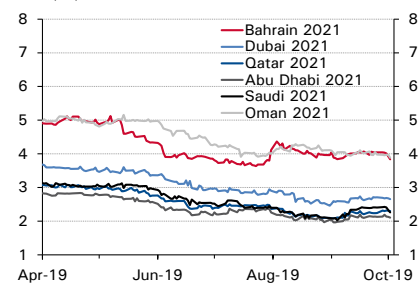
(%)



Source: Refinitiv

GCC bond yields

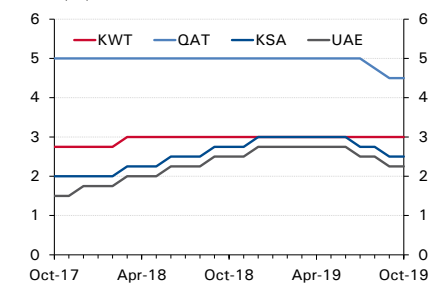
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv