

International

US: The US and China were said to be close to finalizing parts of an 'interim' trade deal involving larger Chinese purchases of US farm goods, which could see US tariff hikes scheduled for December suspended. On data, the flash PMI for October came in slightly above expectations at 51.2, representing modest growth in business activity. The services component was steady at 51.0, while the manufacturing segment surprisingly edged up to 51.5. But in a worrying sign for the labor market, employment fell for the second straight month. Meanwhile, fiscal data show the budget deficit rising \$205 billion to a seven-year high of almost \$1.0 trillion in FY2019 (ending September). This was equivalent to 4.6% of GDP, up from 3.8% last year.

Europe: The European Central Bank left policy on hold (interest rates at -0.5%, bond purchases of €20 billion per month from November), in what was President Mario Draghi's final meeting before being replaced by Christine Lagarde. Meanwhile, the UK parliament voted by a thin margin in favor of PM Boris Johnson's Brexit deal with the EU, but then voted down his short timetable for fuller approval, making it almost impossible to meet the scheduled end-October departure date. The EU is likely to offer a new extension date this week.

Financial markets: Equities rose on trade optimism and corporate earnings. The MSCI AC world gained 1.3% w/w led by the Nikkei 225 (1.4%) and Eurostoxx 500 (1.3%) while the S&P gained 1.2%. US 10-year treasury yields gained 5 bps to 1.80%.

Oil: Brent closed up 4.4% w/w at \$62/bbl, its highest level in almost a month, after posting four consecutive days of gains on the back of an unexpected US crude stock draw (-1.7 mb) and a power outage at a North Sea Brent Forties pipeline. Price gains were also spurred by signs of progress on a US-China trade deal.

MENA Region

Kuwait: The World Bank named Kuwait among the top 10 'improvers' amongst 190 economies in the recently-released annual Doing Business report 2020, jumping from 97 in 2019 to 83 in 2020 thanks to improvements across a range of areas. Meanwhile, assets in the government's General Reserve Fund were subject to further withdrawals in Q219, reaching KD22.9 billion in June 2019 according to the State Audit Bureau. Also, data from the social security fund show growth in employment of Kuwaiti nationals eased from 4.2% y/y in 1Q19 to 3.5% y/y in 2Q19, on the back of a slowdown in both public sector (3.7%)

and private sector (2.6%) hiring. Finally, inflation rose to a 22-month high of 1.7% y/y in September, versus 1.2% in August.

Saudi Arabia: Inflation remained negative at -0.7% y/y in September, albeit the slowest pace of deflation so far this year. Housing rents continued to decline, by 6.4% y/y. Meanwhile Saudi Arabia completed a 10-year \$2.5 billion international sukuk issuance, with strong demand driving down the spread to 127 bps above the swap rate used as a benchmark. Finally, Saudi Arabia had the sharpest improvement among 190 countries in its "Doing Business" score for 2020, with its global ranking jumping to 62 from 92 last year.

UAE: According to the Doing Business report, the UAE was ranked 16th globally versus 11th last year, but still ranked 1st in the MENA region. Meanwhile, inflation in Dubai remained negative in September, contracting 2.9% y/y as housing rents, which constitute 44% of the CPI basket, declined by 6.0% y/y.

Egypt: The unemployment rate fell to 7.5% in 2Q19 from 9.9% a year ago. Meanwhile Egypt climbed six spots on last year to 114 in the World Bank's Doing Business Report.

Oman: The budget deficit fell by 25% y/y in January to August to OMR1.4 billion, equivalent to 7% of estimated pro-rated GDP. Total expenditures were broadly flat on an 11% drop in investment outlays, while revenues rose 7%. In the Doing Business report, Oman was ranked 68th globally, previously 78th.

Financial markets: GCC markets were mixed but positive overall, lifted by some positive corporate earnings in Saudi Arabia and Abu Dhabi. The MSCI-GCC gained 2.3%, led by Saudi Arabia (3.6%) and Abu Dhabi (1.4%).

Key takeaways:

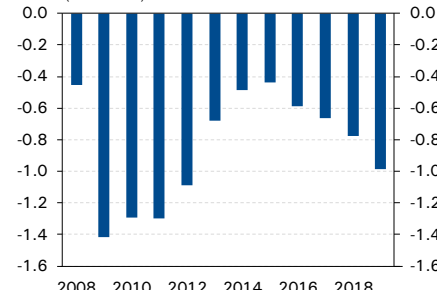
- After being openly divided last month, the ECB presented a more united front on its stimulus package at its latest meeting. Still, Draghi's departure and doubts over policy effectiveness could raise the barrier to any additional loosening ahead.
- The UK could remain in Brexit 'limbo' with parliament seeking more time to assess and possibly eventually vote down the withdrawal deal but also denying PM Johnson's request for a winter general election to resolve the impasse.
- Gulf countries improved their standings by on average 12 spots in the latest 'Doing Business' report, with Saudi, Bahrain and Kuwait all among the top 10 'improvers'. Soft oil prices may be intensifying governments' commitment to reforms.

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



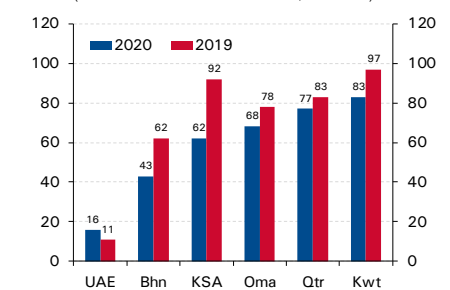
Source: Refinitiv

▶ **Chart 2: US fiscal balance** (\$ trillion)



Source: Refinitiv

▶ **Chart 3: GCC Ease of Doing Business** (Rank out of 190 countries, 1=best)



Source: World Bank Easing of Doing Business 2020

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,897	0.7	29.4
DAX	12,895	2.1	22.1
DJIA	26,958	0.7	15.6
Eurostoxx 50	3,625	1.3	20.8
FTSE 100	7,324	2.4	8.9
Nikkei 225	22,800	1.4	13.9
S&P 500	3,023	1.2	20.6
Regional			
Abu Dhabi SM	5,163	1.4	5.0
Bahrain ASI	1,526	0.0	14.1
Dubai FM	2,784	0.1	10.1
Egypt EGX 30	14,207	0.0	9.0
MSCI GCC	542	2.3	-50.7
Kuwait SE	5,768	0.0	13.6
KSA Tadawul	7,913	3.6	1.1
Muscat SM 30	3,990	-0.4	-7.7
Qatar Exchange	10,378	-0.5	0.8

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.80	5.1	-89.0
Bunds 10 Year	-0.38	1.1	-62.1
Gilts 10 Year	0.68	-2.9	-58.8
JGB 10 Year	-0.15	0.2	-14.7
Regional			
Abu Dhabi 2022	2.15	3.8	-115.2
Dubai 2022	2.54	-10.1	-138.5
Qatar 2022	2.19	4.3	-126.4
Kuwait 2022	2.16	0.3	-116.4
KSA 2023	2.44	-7.1	-143.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	62.0	4.4	15.3
KEC	59.0	-6.2	13.0
WTI	56.7	5.4	24.8
Gold	1499.5	0.8	17.3

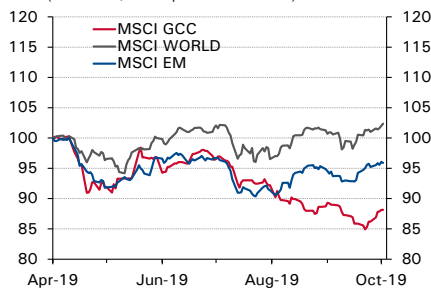
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.92	-3.3	-103.3
Kibor - 3 month	2.88	0.0	56.3
Qibor - 3 month	2.60	-3.6	-30.6
Eibor - 3 month	2.27	-0.1	-57.1
Saibor - 3 month	2.29	-1.9	-68.6
Libor - 3 month	1.94	-3.0	-87.2
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	0.1	0.1
KWD per EUR	0.333	-0.1	-4.3
USD per EUR	1.108	-0.8	-3.4
JPY per USD	108.6	0.2	-0.8
USD per GBP	1.282	-1.2	0.5
EGP per USD	16.12	-0.6	-9.7

Updated on 25/10/2019

Source: Refinitiv

International equity markets

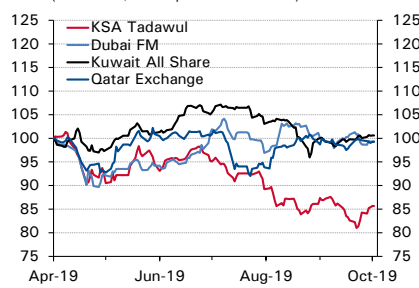
(rebased, 24 April 2019=100)



Source: Refinitiv

GCC equity markets

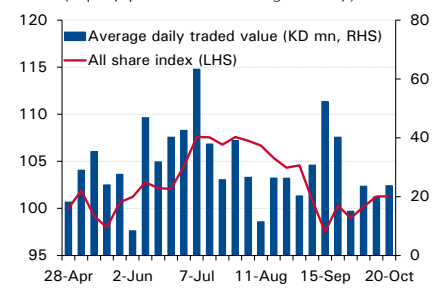
(rebased, 24 April 2019=100)



Source: Refinitiv

Boursa Kuwait

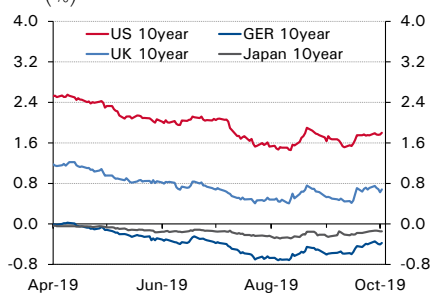
(equity prices and trading activity)



Source: Refinitiv

International bond yields

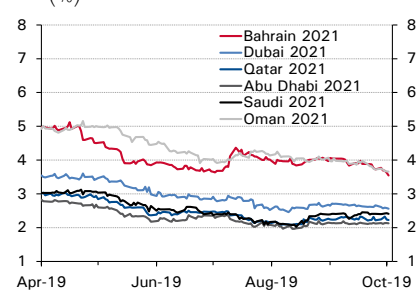
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Source: Refinitiv

GCC bond yields

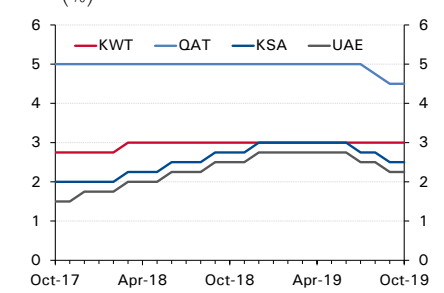
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv