

### International

**US:** GDP surged back at a better-than-expected 33.1% annualized rate in 3Q20, following a 31.4% plunge in Q2. This however still leaves the economy 3.5% smaller than pre-crisis levels. The rise in Q3 was driven by a sharp rebound in private consumption, up 40.7% (-33.2% in Q2) despite still vast unemployment but benefitting from government stimulus programs. Housing investment also jumped 59.1%. Meanwhile, new jobless claims fell to a new post-pandemic low of 751,000 in the w/e October 24 (791,000 a week earlier). Continuing claims – produced with a one-week lag – also fell a sizeable 0.7 million to 7.8 million, pushing the insured unemployment rate down to 5.3%. Finally, core PCE inflation (the Fed’s preferred price measure) edged up in September but came in at a below-consensus 1.5% y/y (versus a low of 0.9% in April).

**Europe:** Eurozone GDP also bounced back a much better-than-expected 12.7% q/q in 3Q20, following an 11.8% drop in Q2. This included recoveries in hard-hit countries such as France (+18.2%), Spain (+16.7%) and Italy (+16.1%). Germany expanded 8.2% after a relatively modest 9.8% drop in Q2. The ECB meanwhile left policy unchanged, but said that it will be ‘recalibrated’ as appropriate in light of negative pandemic fallout on the economy – a strong hint that policy will be eased at its December meeting (more and/or extended asset purchases).

**China:** Indices of manufacturing and non-manufacturing output in October continued to point to relatively buoyant domestic activity: 51.4 (51.5 in Sept) and 56.2 (55.9 in Sept), respectively. While the longer than usual Golden week holiday likely explained the easing in manufacturing activity, rising consumer spending helped boost the services sector.

**Financial markets:** Global equities fell sharply on US election and stimulus uncertainty, and renewed virus restrictions in Europe. The MSCI AC World lost 5% w/w, led by the Euro Stoxx (-7.5%), while the S&P500 lost 5.6%, as weaker than expected tech stock earnings dented sentiment.

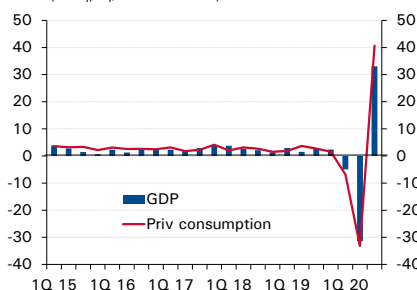
**Oil:** Rising coronavirus infections and a return to lockdowns across Europe pushed Brent crude down 10.3% w/w to \$37.5/bbl on Friday – its largest weekly decline since April. Brent is now trading at levels last seen in late May, with markets increasingly on edge over oil demand weakness and rising supplies from Libya. A larger-than-expected gain in US crude stocks (+4.3 mb to 492.4 mb) also added to the bleak outlook.

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



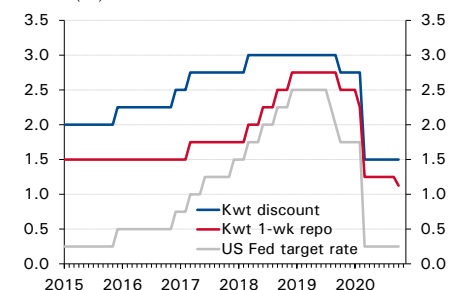
Source: Refinitiv

▶ **Chart 2: US GDP** (% q/q, annualized)



Source: Refinitiv

▶ **Chart 3: Kuwait policy interest rates** (%)



Source: Central Bank of Kuwait / Refinitiv

### MENA Region

**Kuwait:** The central bank cut its policy repo rates – benchmarks for bank deposit rates – by 0.125% to 0.875%, 1.125% and 1.625% for the overnight, 1-week and 1-month rates, respectively. Meanwhile the policy discount rate – a benchmark for lending rates – was unchanged at 1.5%. The bank cited the continued downward move in the US Fed Funds rate towards zero, which has widened the margin versus local currency rates. It was the first rate cut since March.

**Saudi Arabia:** The government recorded a fiscal deficit of SAR41 billion in 3Q20 (SAR184 billion in 9M20 or around 10% of estimated pro-rated GDP). Oil revenues dropped 30% y/y in Q3, while non-oil revenues soared 63% on higher taxes and a surge in “other revenues”. Spending rose by 7% (-3% in 9M20). Separately, credit growth remained robust at 1.2% m/m in September, bringing up the y/y expansion to 15.3%.

**UAE:** The cabinet approved amendments to the bankruptcy law to offer more protection to businesses, including provisions for “emergency situations”. Meanwhile, the central bank announced new regulations regarding reserve requirements to facilitate short-term liquidity management for banks through extending the reserve maintenance period from 7 to 14 days.

**Financial markets:** GCC markets mostly tracked global markets lower on virus, oil, and economic recovery uncertainty. The MSCI GCC lost 4.3% w/w led by Saudi Arabia (-7%) and Kuwait’s All-Share (-3.4%).

#### Key takeaways:

- Big GDP rebounds in the US and Europe in Q3 were welcome if expected following the collapses seen in Q2. But a ‘double dip’ downturn looks likely especially in Europe, where resurgent virus cases have triggered fresh lockdowns in the past week.
- The Central Bank of Kuwait’s repo rate cut widens the spread versus the discount rate which has been narrow by past standards. The discount rate remains at an historic low in order to support lending and economic recovery.
- The strong rise in the Saudi government’s non-oil revenue in Q3 did not come as a surprise, and presumably included some one-offs. The deficit could widen in Q4, as spending is usually at its highest in the final quarter of the year: the full-year deficit could reach 12.5% of GDP.

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,695	-0.5	14.6
DAX	11,556	-8.6	-12.8
DJIA	26,502	-6.5	-7.1
Eurostoxx 50	2,958	-7.5	-21.0
FTSE 100	5,577	-4.8	-26.1
Nikkei 225	22,977	-2.3	-2.9
S&P 500	3,270	-5.6	1.2
<b>Regional</b>			
Abu Dhabi SM	4,660	2.3	-8.2
Bahrain ASI	1,427	-1.4	-11.4
Dubai FM	2,188	0.1	-20.9
Egypt EGX 30	10,515	-4.3	-24.7
MSCI GCC	507	-4.3	-10.6
Kuwait SE	5,443	-3.1	-13.4
KSA Tadawul	7,908	-7.0	-5.7
Muscat SM 30	3,558	0.0	-10.6
Qatar Exchange	9,691	-2.7	-7.0

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	0.86	1.8	-105.1
Bunds 10 Year	-0.62	-5.2	-43.7
Gilts 10 Year	0.26	-1.8	-56.2
JGB 10 Year	0.04	0.2	6.3
<b>Regional</b>			
Abu Dhabi 2022	0.69	5.3	-135.7
Dubai 2022	1.04	7.3	-142.5
Qatar 2022	0.78	-5.1	-128.7
Kuwait 2022	0.85	-1.7	-121.7
KSA 2023	0.98	9.2	-131.6
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	37.5	-10.3	-43.2
KEC	36.9	-11.1	-46.1
WTI	35.8	-10.2	-41.4
Gold	1877.4	-1.3	23.6

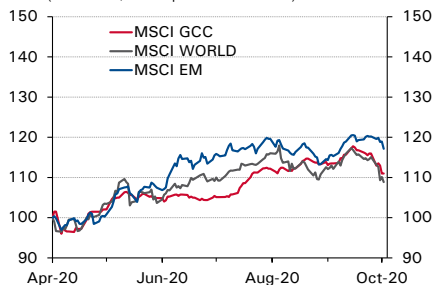
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.25	0.0	-41.7
Kibor - 3 month	1.56	-6.3	-118.8
Qibor - 3 month	0.77	-25.8	-148.3
Eibor - 3 month	0.44	-1.6	-177.4
Saibor - 3 month	0.85	-0.1	-138.5
Libor - 3 month	0.21	0.0	-169.4
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.305	0.0	0.8
KWD per EUR	0.358	-1.0	7.6
USD per EUR	1.165	-1.8	3.9
JPY per USD	104.6	0.0	-3.7
USD per GBP	1.294	-0.8	-2.4
EGP per USD	15.65	-0.1	-2.2

Updated on 30/10/2020

Source: Refinitiv

### International equity markets

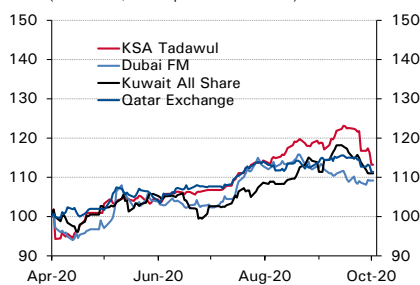
(rebased, 29 April 2020=100)



Source: Refinitiv

### GCC equity markets

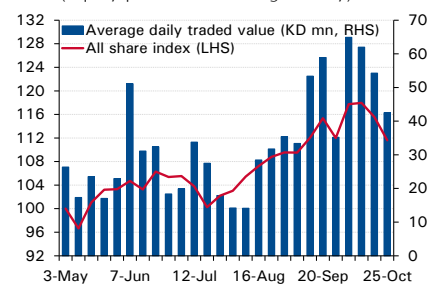
(rebased, 29 April 2020=100)



Source: Refinitiv

### Bursa Kuwait

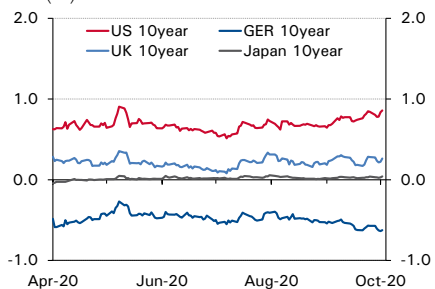
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

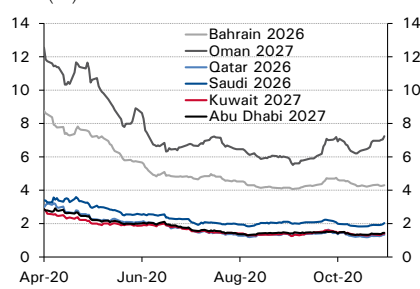
(%)



Source: Refinitiv

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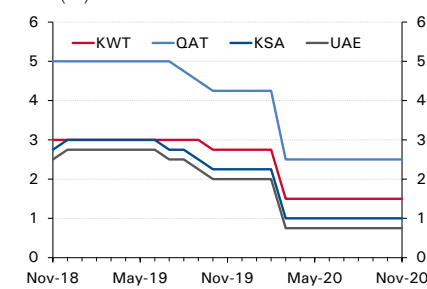
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv