

International and markets

US: GDP in 3Q21 increased by 2% q/q (annualized), missing expectations and sharply lower than 2Q21's growth of 6.7%. Personal consumption expenditure rose 1.6% (+12% in Q2), with higher spending on services offset by a sizeable plunge (26%) in spending on durable goods amid supply chain woes. Meanwhile, core PCE, the Fed's preferred inflation measure, was unchanged in September at 3.6% y/y (headline rate at 4.4%), coming in slightly below expectations. Finally, President Biden announced that Democrats had agreed on a framework for his 'Build Back Better' spending bill, based on a total of \$1.75trn (half of the original figure). Voting on this and on the Senate-approved \$1tn infrastructure bill could take place this week.

Eurozone: The ECB, as expected, left policy on hold (deposit rate -0.5%; PEPP asset purchases totaling €1.85trn due to end next March), and comments by President Lagarde offered a mild pushback on market expectations for a rate hike next year, given that inflation pressures remain transitory. The latter, however, hit a 13-year high of 4.1% y/y in October. Meanwhile, GDP in the Eurozone rose 2.2% q/q in 3Q21, leaving output just 0.5% below pre-pandemic levels.

China: Manufacturing firms will be allowed to defer taxes for three months from November as high raw material prices and rising costs affect production. Also, petrol stations began rationing diesel amidst the ongoing energy crisis. Mobility restrictions were reintroduced in parts of the north east following another Covid-19 outbreak.

Financial markets: Global equities were mostly positive, helped by generally positive corporate earnings and despite ongoing inflation and growth concerns. The MSCI AC World gained 0.5% w/w, lifted by European and US markets (Euro Stoxx 50: +1.5%; S&P 500: +1.3%), while emerging markets fell (MSCI EM: -2.2%). GCC markets were mostly negative (MSCI GCC: -1.1% w/w), due to lower oil prices. Saudi Arabia declined 1.5% w/w, but Kuwait's All-Share gained 1.8%.

Oil: Brent edged down 1.3% w/w to \$84.4/bbl on Friday (+62.9% ytd.), its first weekly loss in eight weeks. While oil bulls were once again in the ascendancy by Friday, spurred by the OPEC+ view of a tighter market in 4Q21 and supply outages in Libya and Nigeria, price gains were unable to offset mid-week losses stemming from Russia's announcement of increased gas supplies to Europe and the resumption of the Iran nuclear talks.

MENA Region

Kuwait: Inflation edged up to 3.2% y/y in May (+0.3% m/m) from 3.1% in April, spurred by continued increases in the cost of foods (+11.3% y/y) and furnishings (+4.1% y/y) especially. Price gains in the housing rents category was again negligible (+0.1% y/y). Core inflation, which excludes food and housing, held steady at 2.7% y/y.

Saudi Arabia: Credit growth was strong in September (+1.5% m/m; +16.1% y/y), supported by robust mortgage (+48% y/y) and corporate lending (+5.9% y/y). At the Middle East Green Initiative, the Crown Prince announced plans to create a regional complex for carbon extraction and an international cooperation platform to implement the concepts of a circular carbon economy. At the Future Investment Initiative, it was announced that 44 multinationals had so far agreed to relocate their regional headquarters to Riyadh. The authorities hope this could create 30,000 jobs and add SAR67bn (\$18bn) to GDP by 2030.

UAE: Domestic credit fell by 1.7% y/y in August, largely on the back of a decline in lending to the private sector (-1.5% y/y). While credit to businesses and the industrial sector fell by 3.8% y/y, credit to individuals increased by 4.4%. Government and GRE credit growth was stable.

Egypt: The central bank kept the overnight lending and deposit rates at 9.25% and 8.25%, respectively, for the eighth consecutive time, as inflation (6.6% in September) closed in on the target of 7% (±2%) and amid a potential tightening in the global monetary policy environment. Meanwhile, S&P affirmed Egypt's credit rating at 'B' (with a stable outlook).

Key takeaways:

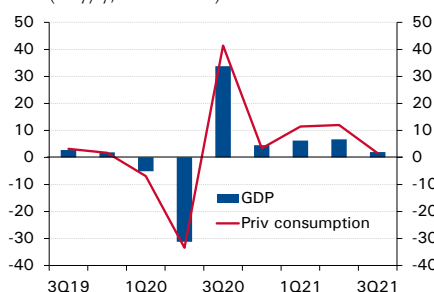
- While US GDP growth weakened in 3Q21, current estimates point to a pick-up in the final quarter. However, output gains may be limited by ongoing supply chain issues and elevated oil prices, which could dampen activity.
- Faster Eurozone GDP growth in comparison can be partly explained by the relatively delayed 'reopening' bounce. The recovery is expected to continue in Q4 but likely soften as supply shortages and high energy prices bite, especially in manufacturing-intensive Germany
- OPEC+ downgrading its oil supply deficit estimate in 4Q21 and adopting a more bearish outlook for 2022 will support Saudi's view that accelerating the tapering of supply cuts is unwarranted. Pressure on the group from the likes of the US and India to raise output further will only intensify, though.

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



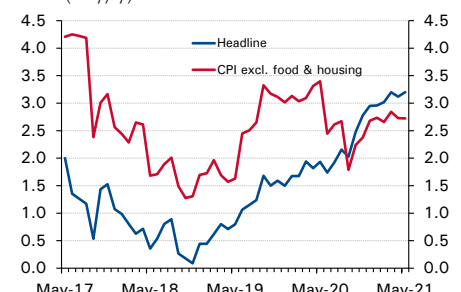
Source: Refinitiv

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



Source: Refinitiv

▶ **Chart 3: Kuwait inflation** (% y/y)



Source: Kuwait Central Statistical Bureau

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,909	-1.0	-5.8
DAX	15,689	0.9	14.4
DJIA	35,820	0.4	17.0
Eurostoxx 50	4,251	1.5	19.6
FTSE 100	7,238	0.5	12.0
Nikkei 225	28,893	0.3	5.3
S&P 500	4,605	1.3	22.6
Regional			
Abu Dhabi SM	7,873	0.0	56.0
Bahrain ASI	1,742	1.0	16.9
Dubai FM	2,861	0.1	14.8
Egypt EGX 30	11,507	3.4	6.1
MSCI GCC	747	-1.1	36.6
Kuwait SE	7,100	1.8	28.0
KSA Tadawul	11,759	-1.5	35.3
Muscat SM 30	4,062	2.0	11.0
Qatar Exchange	11,807	-0.5	13.1

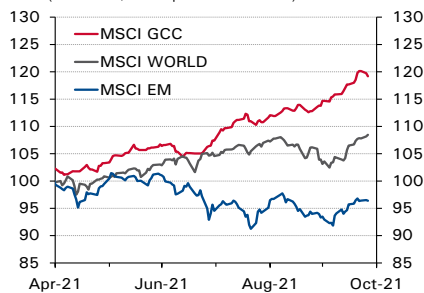
Bond yields		Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.56	-7.7	64.9
Bunds 10 Year	-0.09	0.3	48.1
Gilts 10 Year	1.04	-11.2	83.9
JGB 10 Year	0.09	0.5	7.3
Regional			
Abu Dhabi 2027	1.76	1.3	48.0
Oman 2027	4.29	2.2	-74.8
Qatar 2026	1.57	-5.6	52.3
Kuwait 2027	1.64	6.4	38.3
Saudi Arabia 2028	2.13	0.1	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	84.4	-1.3	62.9
KEC	83.7	-0.8	65.3
WTI	83.6	-0.2	72.2
Gold	1783.0	-0.7	-5.8

Interbank rates		Change (bps)	
		1-week	YTD
Bhbor - 3 month	1.50	0.0	-75.0
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.17	1.9	4.8
Eibor - 3 month	0.35	-6.7	-16.8
Saibor - 3 month	0.83	0.6	0.8
Libor - 3 month	0.13	0.8	-10.7
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.301	0.1	-0.8
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.156	-0.7	-5.3
JPY per USD	114.0	0.5	10.4
USD per GBP	1.369	-0.4	0.1
EGP per USD	15.66	0.1	-0.2

Updated on 29/10/2021 Source: Refinitiv

International equity markets

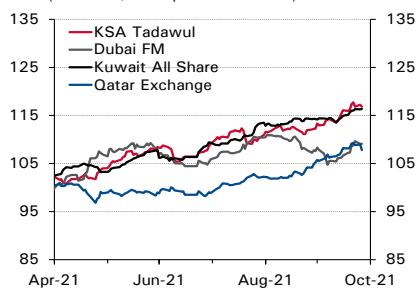
(rebased, 29 April 2021=100)



Source: Refinitiv

GCC equity markets

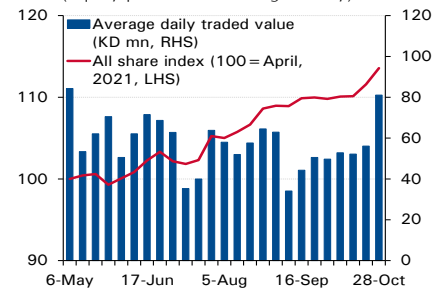
(rebased, 29 April 2021=100)



Source: Refinitiv

Bursa Kuwait

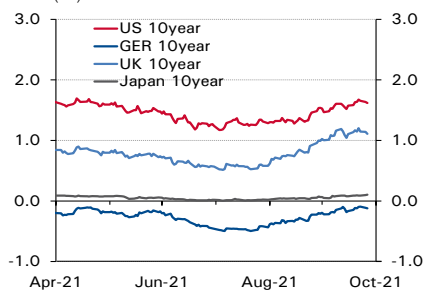
(equity prices and trading activity)



Source: Refinitiv

International bond yields

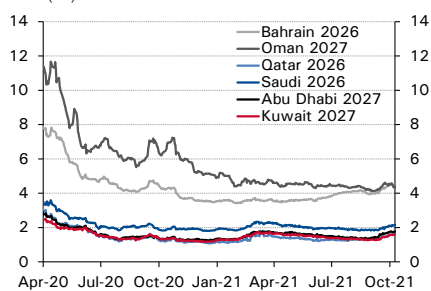
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Source: Refinitiv

GCC bond yields

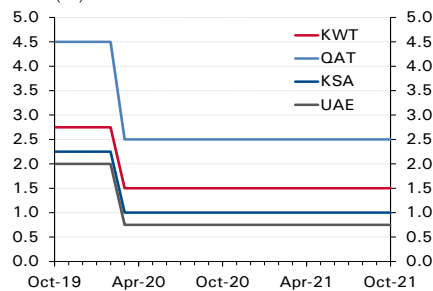
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv