

International

US: In a mixed consumer-related report, consumer spending came in at an unexpectedly soft 0.1% m/m in August albeit after a strong July, potentially lowering expectations for 3Q19 GDP. However, core PCE inflation – the Fed’s preferred price gauge – rose to 1.8% y/y from 1.7% in July, closer to the central bank’s 2% target. Meanwhile the flash PMI for September was weak at 51.0, with services (50.9) scoring below manufacturing (51.0). Finally, the Fed extended its liquidity support to banks by lifting its lending cap to \$100 billion for overnight loans and \$60 billion for two-week loans ahead of a possible cash squeeze from end-quarter tax payments.

UK: The Supreme Court unanimously ruled the government’s earlier prorogation of parliament to be unlawful. The verdict resulted in the recall of parliament on Wednesday amid rancorous scenes. MPs are however likely to resist calls to vote for a general election until a Brexit extension has been secured.

Financial markets: Global equities fell on trade tensions and political discord in the US. The MSCI AC World lost 0.9% led by the emerging markets (-1.7%) followed by the S&P500 (-1%). The US 10-year yield is down 8 bps w/w to 1.67%.

Oil: Brent crude prices fell 3.7% w/w to \$61.9/bbl. The geopolitical risk premium following the Abqaiq attacks appears to have diminished amid a quick return of Saudi production capacity to pre-strike levels and a second consecutive week of crude stock gains in the US (+2.4 mb to 449.7 mb).

MENA Region

Kuwait: The population rose 2.1% y/y in June 2019 to 4.7 million, a slower rise than the 2.7% of December 2018 due to a fall in expat growth to 2.1% from 2.8%. Growth in Kuwaiti nationals was broadly steady at 2.3%, holding at 1.4 million. Employment growth eased from 4.2% to 3.7% amid continued declines in expat numbers in the public sector (-3.1% y/y). Meanwhile inflation edged up to 1.24% y/y in August from 1.15% in July amid a slight rise in food prices (1.1%). Core inflation also rose to 2.6% from 2.5%, consistent with good consumer loan growth and decent employment conditions. Finally, Kuwait was cited as one of the top 20 ‘improvers’ in the World Bank’s Ease of Doing Business rankings for 2020, based upon performance across six regulatory areas including starting a business and getting electricity.

Saudi Arabia: Fees on expatriate workers borne by companies in the industrial sector have been waived for five years, after businesses voiced concern over higher operating costs, though fees on expatriate dependents will continue. Consumer prices declined for the eighth consecutive month in August (-1.1% y/y), mainly on continued weakness in housing rents (-7.4%).

UAE: The central bank adjusted its growth projection for 2019 from 2.0% to 2.4%. The revision included a jump in oil sector growth from 2.7% to 5.0%, while non-oil growth was lowered from 1.8% to 1.4%. Abu Dhabi issued \$10 billion in bonds, the first issuance in two years, taking advantage of low rates. The three-tranche issuance had maturities of 5-30 years.

Bahrain: Bahrain returned to the international debt markets, raising \$2 billion from a \$1 billion sukuk due in 2027 with a yield of 4.5% and a \$1 billion conventional bond maturing in 2031 at 5.625%. Bahrain is rated non-investment grade by major rating agencies, but the \$10 billion GCC aid package announced last year and public reform efforts have helped investor confidence.

Egypt: The benchmark EGX30 index fell 6% w/w due to the protests in Cairo and other cities, which saw trading suspended last Sunday after the market plunged 5% as investors worried about further escalation. Meanwhile, the central bank of Egypt as expected cut interest rates for the third time in 2019 by 100 bps, leaving the overnight deposit rate at 13.25%, the discount rate at 13.75% and the overnight lending rate at 14.25%.

Financial markets: Equities were mixed but overall positive (MSCI GCC +0.4%) on rebounds in KSA (1.3%) and Kuwait (2.9%). Both markets benefitted from the S&P – Dow Jones EM inclusion on September 23 and Saudi oil supply assurances.

Key takeaways:

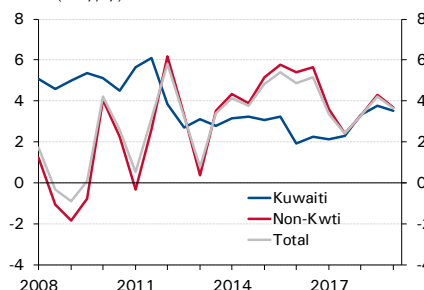
- Full country rankings by the World Bank for 2020 have not yet been released, but Kuwait’s ‘improving’ Doing Business status is a welcome step for the investment climate.
- While expat numbers are under some pressure, jobs growth in Kuwait remains solid overall and bodes well for continued strong personal consumption spending in coming quarters.
- Despite interest rate cuts this year, the Egyptian pound has continued to strengthen. Domestic interest rates remain high and in a falling global rate environment, Egyptian assets remain attractive to investors.

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



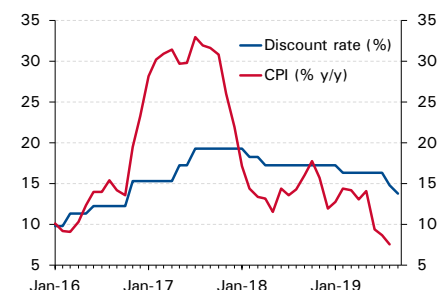
Source: Refinitiv

▶ **Chart 2: Kuwait employment** (% y/y)



Source: PACI

▶ **Chart 3: Egypt policy interest rates**



Source: Refinitiv

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,853	-2.1	28.0
DAX	12,381	-0.7	17.3
DJIA	26,820	-0.4	15.0
Eurostoxx 50	3,546	-0.7	18.1
FTSE 100	7,426	1.1	10.4
Nikkei 225	21,879	-0.9	9.3
S&P 500	2,962	-1.0	18.1
Regional			
Abu Dhabi SM	5,069	-1.1	3.1
Bahrain ASI	1,521	2.1	13.8
Dubai FM	2,798	-0.8	10.6
Egypt EGX 30	13,857	-6.0	6.3
S&P GCC 40	1,204	-1.1	9.4
Kuwait SE	5,713	2.9	12.5
KSA Tadawul	8,028	1.3	2.6
Muscat SM 30	4,016	0.6	-7.1
Qatar Exchange	10,420	-0.9	1.2

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.67	-8.0	-101.8
Bunds 10 Year	-0.58	-5.7	-82.3
Gilts 10 Year	0.50	-12.8	-76.9
JGB 10 Year	-0.24	-2.5	-24.1
Regional			
Abu Dhabi 2022	2.21	12.7	-109.1
Dubai 2022	2.69	8.5	-124.0
Qatar 2022	2.16	7.3	-129.6
Kuwait 2022	2.23	13.5	-109.6
KSA 2023	2.38	-12.8	-150.0
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	61.9	-3.7	15.1
KEC	62.9	-3.4	20.5
WTI	55.9	-3.8	23.1
Gold	1499.1	-0.5	17.3

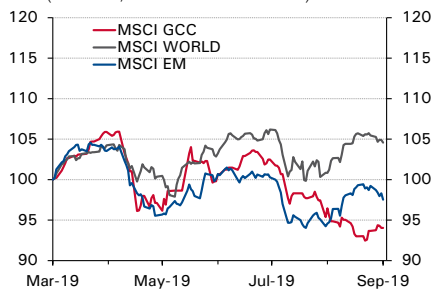
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	3.02	5.0	-93.3
Kibor - 3 month	2.88	6.3	56.3
Qibor - 3 month	2.59	-11.8	-31.9
Eibor - 3 month	2.35	-4.7	-48.6
Saibor - 3 month	2.36	-0.3	-61.6
Libor - 3 month	2.10	-5.5	-70.3
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.2	0.3
KWD per EUR	0.332	-0.6	-4.6
USD per EUR	1.094	-0.7	-4.6
JPY per USD	107.9	0.3	-1.5
USD per GBP	1.229	-1.5	-3.7
EGP per USD	16.26	0.0	-9.0

Updated on 27/9/2019

Source: Refinitiv

International equity markets

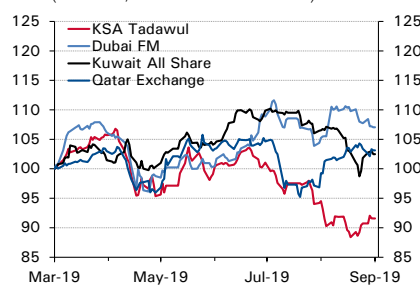
(rebased, 27 March 2019=100)



Source: Refinitiv

GCC equity markets

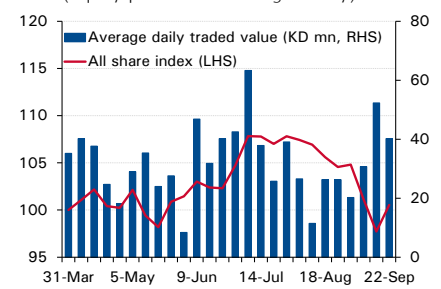
(rebased, 27 March 2019=100)



Source: Refinitiv

Boursa Kuwait

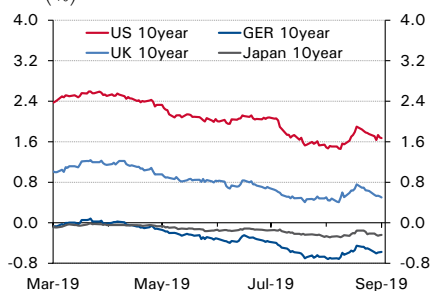
(equity prices and trading activity)



Source: Refinitiv

International bond yields

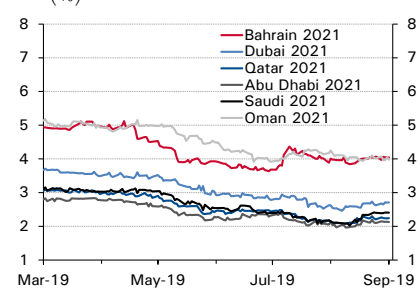
(%)



Source: Refinitiv

GCC bond yields

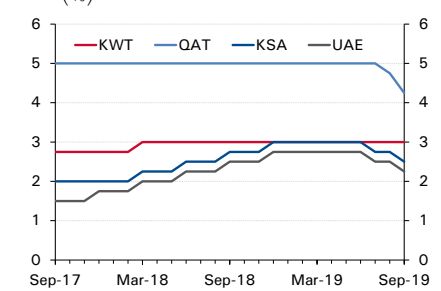
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv