

International

US: There were mixed signals on a “phase one” US-China trade deal with initial reports that progress seems to have stalled contrasting President Trump’s comments that a deal was close. Meanwhile, minutes of the Fed’s October meeting where it cut rates by 25 bps showed FOMC members judged political risks (trade tensions, Brexit) to have eased and confirmed no near-term prospect of further rate changes. On economic data, the flash composite PMI for November rose to a four-month high of 51.9, up from a final reading of 50.9 in October – a signal of mild growth optimism. Continuing the trend of the past few months, manufacturing, at 52.2, is now outperforming the services sector at 51.6. Growth in existing home sales also picked up to 4.6% y/y in a further sign of a revival in the housing market helped by low mortgage rates and strong employment.

Financial markets: Global equities fell amid mixed signals regarding a trade deal. The MSCI AC world index declined 0.2%, led by the Nikkei (-0.8%), Euro Stoxx 50 (-0.7%) and DJI (-0.5%). This marked the end of a multi-week winning streak for US equities, although index levels are still near all-time highs. The US 10-year treasury yield slipped 6 bps w/w to 1.77%.

Oil: Brent on Friday gave up its gains from earlier in the week to close almost flat at \$63.4/bbl but still up 5.2% so far in November. The market continues to await firm news on US-China trade. US crude inventories rose the previous week (+1.4 mb to 452.7 mb), although markets focused more on the drawdown at Cushing.

MENA Region

Kuwait: The fiscal position recorded a deficit of KD0.6 billion in the first seven months of FY2019/20 (to October), equivalent to around 3% of estimated pro-rated GDP and versus a KD3.1 billion surplus at the same stage last year. Once mandatory transfers to the sovereign wealth fund are included, the deficit rises to KD1.6 billion (7% of GDP). The deficit comes on the back of declining oil revenues (-19% y/y on falling oil prices) but also a 20% increase in spending, led especially by rising wages and salaries. Meanwhile, real estate sales fell 31% m/m and 26% y/y to KD211 million in October. Softer activity was primarily due to the commercial sector, which saw its weakest sales (KD0.4 million) since August 2010. Residential sales were decent at KD103 million despite a 25% y/y drop, and investment sales were solid at KD91 million, up 9% y/y.

Saudi Arabia: Inflation continued to be negative in October with the CPI index down 0.3% y/y driven mainly by the housing rents component, which decreased 4.8%. The drop in rents peaked in February at -9.4% and has steadily moderated since. October’s overall negative inflation rate is the slowest pace of decline so far this year (and versus -0.7% in September) after peaking at -2.2% in February. In fact, on a m/m basis the CPI has now increased six months in a row. If this trend continues, inflation will end up being slightly positive by year-end.

UAE: Bank credit growth eased in October to 3.5% y/y from 4.6% the previous month. Although lending to GREs picked up (9.9% versus 6.0% in September), private sector lending slowed sharply (0.8% versus 2.6%) and within the latter, personal lending was negative (-1.7% versus -1.4%). Bank deposits rose by 5.7%. Meanwhile, the liquid asset ratio was relatively stable at 17.4%, reflecting an abundance of liquidity in the banking system. In addition, inflation in Dubai was unchanged in October at -2.8% y/y, on the back of falling housing rents (-5.8%) and transportation costs (-6.6%).

Oman: The nine-month budget deficit (to September) narrowed to OMR1.5 billion (-19% y/y) or an estimated 7% of pro-rated GDP. Oil revenues were down 3.3% y/y due to lower oil prices, but expenditures also fell by 1.8% as investment spending was pared back.

Financial markets: GCC stock markets were mixed but positive overall. The MSCI GCC rose by 0.8%, lifted by gains in Saudi Arabia (1.7%) and Kuwait (1.0%), despite being weighed down on Thursday by trade uncertainty.

Key takeaways:

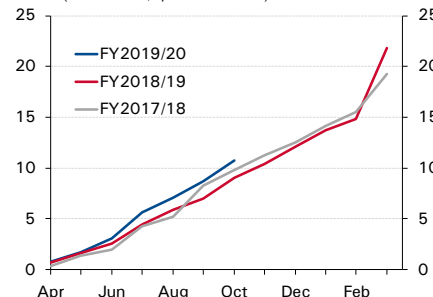
- The window to strike a “phase one” US-China trade deal and avoid further tariff hikes is narrowing, with fresh 15% US duties on \$156 billion in Chinese goods scheduled for December 15. Congressional pressure for President Trump to criticize China’s stance on Hong Kong could also jeopardize deal prospects.
- The sharp year-on-year rise in Kuwait’s public spending to October is flattered by low reported rates early last year, which rebounded by year-end. However, given lower oil prices the full-year deficit could still widen to 8% of GDP in FY19/20.
- The pick-up in Kuwait’s real estate activity seen last year has moderated so far in 2019, led particularly by the apartment sector. Apartment prices have seen fresh weakness in recent months (-3-4% y/y in October) on soft fundamentals.

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



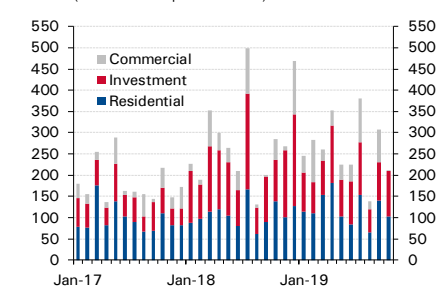
Source: Refinitiv

▶ **Chart 2: Kuwait gov’t spending** (KD billion, year to date)



Source: Ministry of Finance / NBK

▶ **Chart 3: Kuwait real estate sales** (KD million per month)



Source: Ministry of Justice

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,850	-0.7	27.9
DAX	13,164	-0.6	24.7
DJIA	27,876	-0.5	19.5
Eurostoxx 50	3,687	-0.7	22.9
FTSE 100	7,327	0.3	8.9
Nikkei 225	23,113	-0.8	15.5
S&P 500	3,110	-0.3	24.1
Regional			
Abu Dhabi SM	5,042	-1.9	2.6
Bahrain ASI	1,506	0.0	12.6
Dubai FM	2,684	-0.6	6.1
Egypt EGX 30	14,095	-3.1	8.1
MSCI GCC	547	0.8	-50.3
Kuwait SE	5,785	1.0	13.9
KSA Tadawul	8,063	1.7	3.0
Muscat SM 30	4,083	0.0	-5.6
Qatar Exchange	10,267	-0.9	-0.3

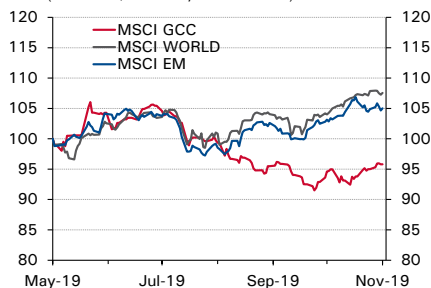
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.77	-6.0	-91.7
Bunds 10 Year	-0.36	-2.7	-60.5
Gilts 10 Year	0.71	-2.4	-56.3
JGB 10 Year	-0.08	-1.3	-8.1
Regional			
Abu Dhabi 2022	2.13	-2.0	-116.6
Dubai 2022	2.65	-3.9	-128.4
Qatar 2022	2.17	-2.6	-128.5
Kuwait 2022	2.13	-2.0	-118.9
KSA 2023	2.45	-2.4	-142.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	63.4	0.1	17.8
KEC	65.6	2.6	25.7
WTI	57.8	0.1	27.2
Gold	1463.1	-0.3	14.5

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhivor - 3 month	2.78	0.0	-116.7
Kibor - 3 month	2.75	0.0	43.8
Qibor - 3 month	2.33	-2.5	-58.1
Eibor - 3 month	2.20	5.8	-64.0
Saibor - 3 month	2.23	0.1	-74.5
Libor - 3 month	1.91	0.5	-89.8
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	0.0	0.1
KWD per EUR	0.333	-0.1	-4.2
USD per EUR	1.102	-0.3	-3.9
JPY per USD	108.6	-0.1	-0.8
USD per GBP	1.283	-0.5	0.6
EGP per USD	16.06	-0.1	-10.1

Updated on 22/11/2019 Source: Refinitiv

International equity markets

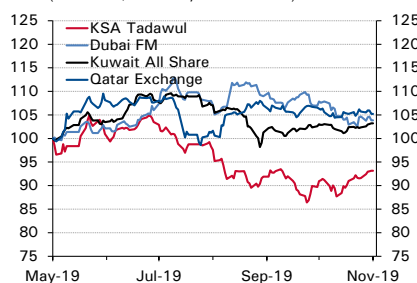
(rebased, 22 May 2019=100)



Source: Refinitiv

GCC equity markets

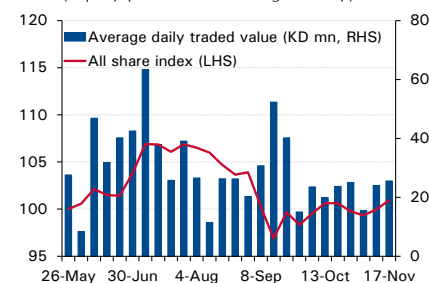
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Source: Refinitiv

Bursa Kuwait

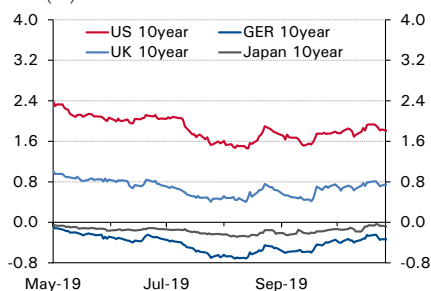
(equity prices and trading activity)



Source: Refinitiv

International bond yields

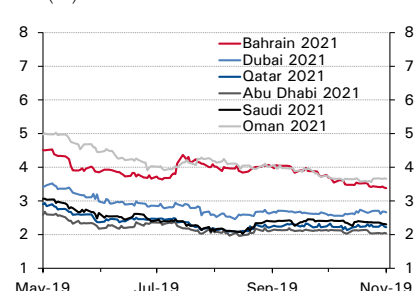
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Source: Refinitiv

GCC bond yields

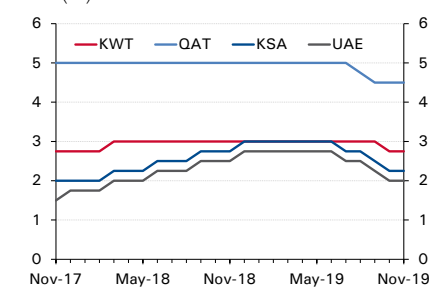
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv