

International

US: New jobless claims in the week of November 7 fell to their lowest since the start of the pandemic at 709,000 (vs. 757,000 a week earlier), though the pace of improvement is easing. Moreover, surging virus cases now threaten the labor market outlook especially given incoming President Biden's warning of a tougher approach to virus containment. Meanwhile, inflation came in at a lower-than-expected 1.2% y/y in October (vs. 1.4% in September), while the core rate also edged down to 1.6%. No change in monetary policy is expected from the Fed, while it keeps an eye out for a vaccine breakthrough.

UK: GDP rebounded by a record 15.5% q/q in 3Q20. While this growth was faster than in most European neighbors, it does reflect the steeper decline in output (-19.8%) in 2Q. The UK economy is still 9.7% smaller than in 4Q19, however, and, given the recent imposition of a one-month lockdown across England, a fresh drop in output is expected in 4Q20.

Financial markets: Global equities were up for a second consecutive week, with European (Euro Stoxx 50: +6.7% w/w) and Japanese stocks (Nikkei 225: +5.3% w/w) continuing to outperform. The S&P notched up gains of 2.1% w/w.

Oil: News of the Pfizer vaccine breakthrough propelled Brent to a 10-week high of more than \$45 last week before it closed on Friday at \$42.8/bbl (+8.4% w/w; -35.2% ytd). The IEA lowered further its global oil demand growth estimate for this year, by 400 kb/d to -8.8 mb/d due to the return of containment measures sparked by resurgent Covid-19 in OECD countries. The year 2021 should see demand rebound by 5.8 mb/d to a total of 97.1 mb/d. OPEC+ compliance was 103% in October.

MENA Region

Kuwait: Domestic credit growth strengthened in September (+5% y/y) on an ongoing rebound in household credit (+6.2% y/y). Business credit inched down marginally (+5.5% y/y). Growth in domestic deposits remained robust (+6% y/y).

Saudi Arabia: GDP contracted by 4.2% y/y in 3Q20, improving from 2Q20's drop of -7% y/y, which is exactly in line with our forecast of annual growth in 2H20. The "flash estimate" of quarterly GDP was the first in a new schedule of releases for the General Authority for Statistics (GAS) as it looks to improve the timeliness of published statistical data. This is positive.

UAE: Inflation declined to -2.4% y/y in September on the back of continued falls in the housing (-3.0% y/y) and transportation segments (-6.9% y/y). Meanwhile, the federal government was assigned a AA- investment grade rating by Fitch ahead of a potential first federal bond issue. The consolidated budget recorded a deficit of AED15.2bn (\$4.1bn) in 1H20 vs. a surplus of AED26.4bn (\$7.2bn) in 1H19 as revenues fell by 29% y/y; expenditures fell by a smaller 13.5% amid a 40% increase in capital spending.

Oman: The MOF issued OR200mn (\$519.5mn) in sukuk. Unconfirmed reports indicate that Oman plans to raise debt in 2021 outside of the government's balance sheet by transferring its 60% stake in Block 6, the largest oil-producing block (650 kb/d) to a new entity that could then tap international markets.

Egypt: Inflation accelerated to 4.5% y/y in October from 3.7% in September on the back of rises in the cost of vegetables, education and services. Core inflation rose to 3.9% in October (vs. 3.3% in September). In this context, the CBE decided to cut, for the third time this year, the overnight deposit, lending and discount rates by 50 bps to 8.25%, 9.25% and 8.75%, respectively.

Financial markets: All GCC markets were in the green as they tracked global markets, with the MSCI GCC up 3.5% w/w thanks to Dubai (+4.7% w/w) and Saudi (+4.3% w/w) equities. Kuwait's All-Share Index increased by 0.7% w/w.

Key takeaways:

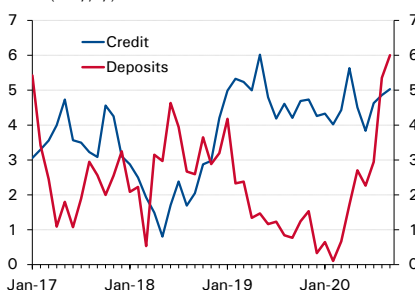
- Policymakers and markets hope that the Pfizer vaccine breakthrough heralds the beginning of the end for Covid-19 and the start of a sustainable, consumption-driven economic rebound in 2021. The world is still hoping for a smooth transfer of power in the US that could have a positive impact on the world economy.
- Credit growth in Kuwait has held up well so far this year, but could slow down in Q4 as per the historical trend and as the household loan repayment holiday is set to expire.
- Egypt: With Egypt inflation expected to remain at the lower end of the CBE's target of 9% (±3%), the policy rate could be cut again at the 24 December meeting to support the economic recovery.

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



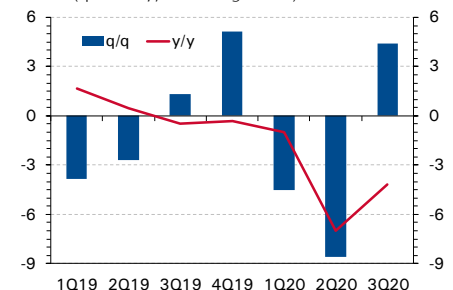
Source: Refinitiv

▶ **Chart 2: Kuwait bank credit/deposits** (% y/y)



Source: Refinitiv

▶ **Chart 3: Saudi GDP** (quarterly/annual growth)



Source: IHS Markit

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,857	-0.6	18.6
DAX	13,077	4.0	-1.3
DJIA	29,480	3.8	3.3
Eurostoxx 50	3,432	6.7	-8.4
FTSE 100	6,316	6.9	-16.3
Nikkei 225	25,386	5.3	7.3
S&P 500	3,585	2.1	11.0
Regional			
Abu Dhabi SM	4,856	2.9	-4.3
Bahrain ASI	1,449	0.5	-10.0
Dubai FM	2,263	4.7	-18.2
Egypt EGX 30	11,017	3.7	-21.1
MSCI GCC	535	3.5	-5.7
Kuwait SE	5,514	0.7	-12.2
KSA Tadawul	8,435	4.3	0.5
Muscat SM 30	3,628	2.2	-8.9
Qatar Exchange	10,213	3.3	-2.0

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	0.89	11.5	-101.7
Bunds 10 Year	-0.55	8.5	-36.1
Gilts 10 Year	0.34	10.4	-48.5
JGB 10 Year	0.03	0.5	4.7
Regional			
Abu Dhabi 2022	0.59	-8.3	-145.7
Dubai 2022	0.75	-17.3	-171.5
Qatar 2022	0.66	-13.4	-140.5
Kuwait 2022	0.70	-2.3	-136.3
KSA 2023	0.84	-5.5	-146.1
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	42.8	4.5	-35.2
KEC	42.73	6.40	-37.48
WTI	40.1	3.5	-34.3
Gold	1885.7	-3.1	24.1

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.25	0.0	-41.7
Kibor - 3 month	1.38	-6.3	-137.5
Qibor - 3 month	0.97	0.7	-127.7
Eibor - 3 month	0.45	-3.9	-175.7
Saibor - 3 month	0.84	-0.6	-139.3
Libor - 3 month	0.22	0.8	-168.7

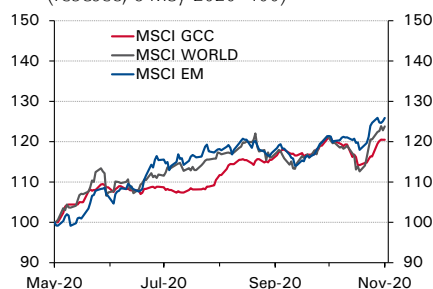
Exchange rates	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	0.1	0.9
KWD per EUR	0.363	0.3	9.1
USD per EUR	1.183	0.1	5.5
JPY per USD	104.6	1.1	-3.7
USD per GBP	1.319	0.3	-0.6
EGP per USD	15.59	-0.3	-2.6

Updated on 13/11/2020

Source: Refinitiv

International equity markets

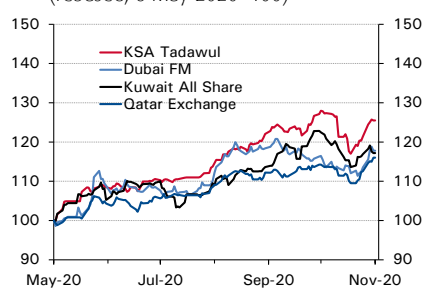
(rebased, 6 May 2020=100)



Source: Refinitiv

GCC equity markets

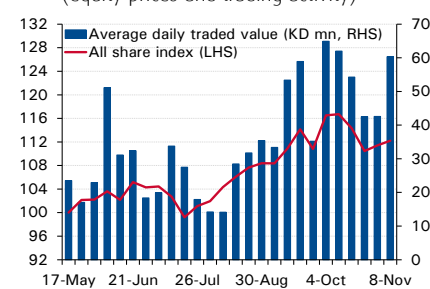
(rebased, 6 May 2020=100)



Source: Refinitiv

Bursa Kuwait

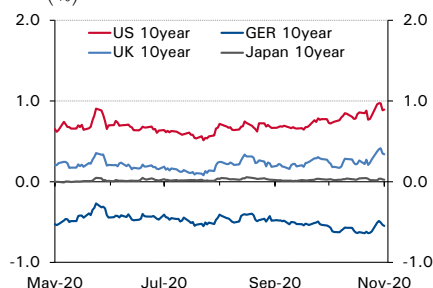
(equity prices and trading activity)



Source: Refinitiv

International bond yields

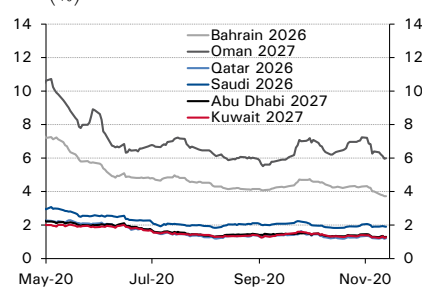
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Source: Refinitiv

GCC bond yields

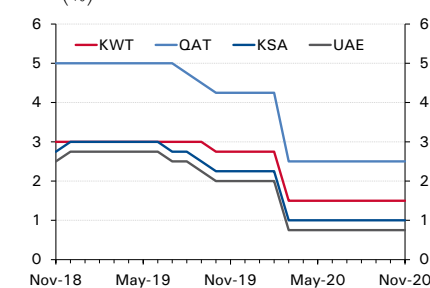
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv