

International

USA: Data for the housing market (e.g. existing home sales - 5.1% y/y in October) remains weak, weighed especially by rising mortgage rates, while consumer sentiment also eased in November, perhaps linked to the recent stock market sell-off. The flash November PMI moderated to 54.4, adding to the view that economic activity is slowing – from a strong base.

Eurozone: November's Eurozone PMI (52.4) was the lowest in four years due to weaker manufacturing. Consumer sentiment also fell to its weakest in 19 months. Despite softer data, October's ECB minutes revealed determination to withdraw the bank's QE program by year-end.

Financial markets: Fears of a global slowdown triggered an equity sell-off, with the MSCI AC world index down 2.6% w/w (-5.4% YTD) led by significant drops in US markets. Benchmark bond yields tightened on these concerns, with 10-year UST and Bund yields down 2 and 3.5 bps, respectively.

Oil: Brent plunged 12% w/w to its lowest in over a year at \$58.8/bbl and -32% from the early October peak. Investors, already concerned about increasing oil supplies amid weaker demand, took fright after President Trump thanked Saudi Arabia for lowering prices (OPEC output increased to a near 2-year high of 32.9 mb/d in Oct) and asked them to go even further. In view of the high political leverage of the US administration at this time, markets may believe there is less room to cut production at the 6 December OPEC meeting.

MENA Region

Kuwait: Credit growth edged up to 2.1% y/y in September from 1.7% in August. The uptick was supported by modest lending to both businesses and households and the usual end-of-quarter jump in securities lending. Deposit growth recovered to 4.9% after falling the previous month.

October's ARA consumer confidence hit its lowest in 5-months at 111 on concerns over the economic outlook and a drop in sentiment towards the purchases of durables. Headline inflation edged down to 0.2% y/y in October from an already 14-year low of 0.3% y/y in September. Weakness continues to be driven by falling housing rents (-1.8% y/y), but 'core' inflation also dropped to just 1.2%. Inflation should pick up to around 2% next year, so long as housing rents stabilize.

Saudi Arabia: As King Salman continues his tour of Saudi provinces, a further \$3bn worth of investment projects in Tabuk were announced following investments in Qassim and Hail. The second phase of a \$15bn industrial city was also inaugurated. The Saudi authorities also rolled out the second phase of their \$19.2bn, 4-yr private sector stimulus program, comprising 17 initiatives including development financing, housing programs and fee exceptions for some businesses.

UAE: According to the finance minister, FDI is expected to reach \$11-11.5bn in 2018 (+5.8% y/y), the GCC's largest. The UAE is eyeing a 15-20% increase by end-2020 following the issuance of a new FDI law this year in which foreign ownership of up to 100% is permitted outside of 'free zones'.

Egypt: The Central Bank of Egypt kept key interest rates unchanged at its November meeting as inflation climbed to 17.7% in October from 16% in September. The figures imply that inflation may overshoot the bank's 4Q18 target of 13% +/- 3%. Meanwhile, according to the minister of finance the budget deficit decreased to 1.9% of (annual) GDP in the first quarter of FY18/19, a modest improvement on the 2% recorded the same period a year ago.

Financial markets: The MSCI GCC index was almost flat on the week. Yields on 4-5 year paper, however, increased for most sovereigns by 2 to 9 bps, on weaker oil prices.

Key takeaways:

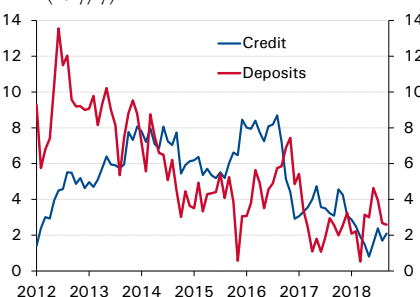
- Despite recent weakness in US stock prices and some concerns over softening growth, the Fed may still hike interest rates by 25bps in December.
- The plunge in oil prices to well below the budget breakeven points for most GCC countries (Kuwait \$72) will have large negative impact on fiscal and external balances and on growth; major oil production cuts are not expected.
- Very low inflation in Kuwait provides support for consumer spending. The recent change in the CBK's borrowing regulations may lead to a modest increase in consumer lending, although future spending depends on how consumer confidence develops after the recent fall.
- The pick-up in inflation could affect the prospect for further interest rate cuts by the Central Bank of Egypt, though the bank sees some of the price pressure as transitory.

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



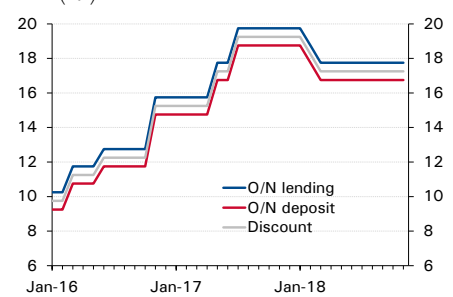
Source: Thomson Reuters Datastream

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



Source: Thomson Reuters Datastream

▶ **Chart 3: Egypt policy rates** (%)



Source: Thomson Reuters Datastream

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,143	-3.5	-22.0
DAX	11,193	-1.3	-13.4
DJIA	24,286	-4.4	-1.8
Eurostoxx 50	3,137	-1.4	-10.5
FTSE 100	6,953	-0.9	-9.6
Nikkei 225	21,647	-0.2	-4.9
S&P 500	2,633	-3.8	-1.5
Regional			
Abu Dhabi SM	4,985	-1.4	13.3
Bahrain ASI	1,323	1.1	-0.6
Dubai FM	2,755	-0.9	-18.3
Egypt EGX 30	13,675	0.0	-8.9
S&P GCC 40	1,128	-1.4	14.6
Kuwait SE	5,082	-0.4	5.2
KSA Tadawul	7,607	-0.7	5.3
Muscat SM 30	4,454	0.1	-12.6
Qatar Exchange	10,328	1.1	21.2

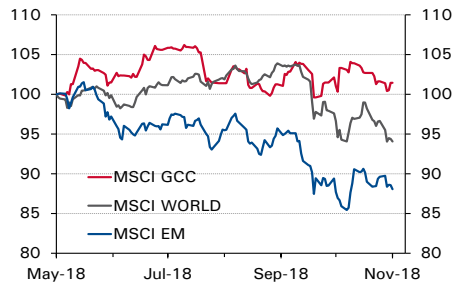
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.05	-2.0	64.3
Bunds 10 Year	0.34	-3.5	-8.5
Gilts 10 Year	1.38	-3.2	19.4
JGB 10 Year	0.10	-0.9	4.6
Regional			
Abu Dhabi 2022	3.70	3.3	75.0
Dubai 2022	4.05	-3.3	91.3
Qatar 2022	3.83	6.4	75.1
Kuwait 2022	3.77	2.4	96.1
KSA 2023	4.24	9.3	102.0
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	58.8	-11.9	-12.1
KEC	59.8	-10.4	-5.8
WTI	50.4	-10.7	-16.6
Gold	1221.0	0.0	-6.5

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	3.75	7.5	102.5
Kibor - 3 month	2.06	-6.3	18.8
Qibor - 3 month	2.80	1.1	5.5
Eibor - 3 month	2.82	-3.4	101.8
Saibor - 3 month	2.82	1.4	92.3
Libor - 3 month	2.69	4.9	99.5
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.0	0.9
KWD per EUR	0.345	0.4	-2.7
USD per EUR	1.134	-0.7	-5.5
JPY per USD	112.9	0.1	0.2
GBP per USD	1.281	-0.2	-5.2
EGP per USD	17.84	-0.1	0.6

Updated as of 23/11/2018 Source: Thomson Reuters Eikon

International equity markets

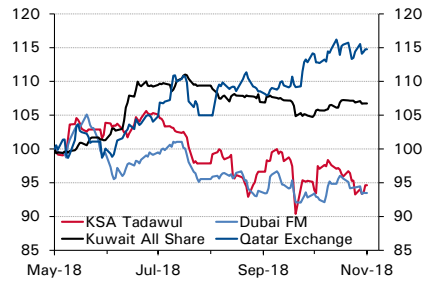
(rebased, 23 May 2018=100)



Source: Thomson Reuters Datastream

GCC equity markets

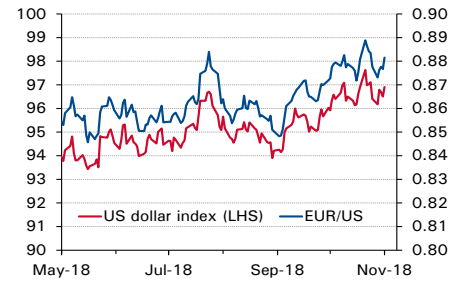
(rebased, 23 May 2018=100)



Source: Thomson Reuters Datastream

US dollar exchange rate

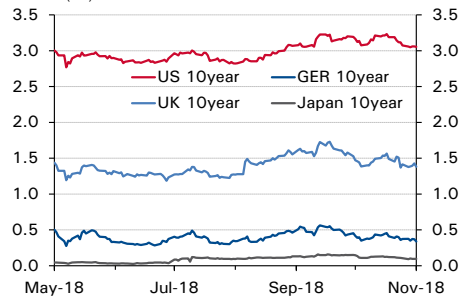
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Source: Thomson Reuters Datastream

International bond yields

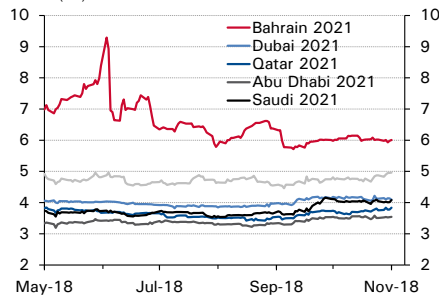
(%)



Source: Thomson Reuters Datastream

GCC bond yields

(%)



Source: Thomson Reuters Datastream

US dollar versus Kuwaiti dinar

(KD/\$)



Source: Thomson Reuters Datastream