

International and markets

US: Inflation in November hit its highest level in around 39 years, reaching 6.8% y/y from 6.2% in October, but broadly in line with expectations. The rise in the core rate (+4.9% y/y) reflected a broad-based and largely expected increase in prices across the various subsectors of both goods and services. Meanwhile, job openings in October increased by 431k to a higher-than-expected 11.03 million (from an upwardly-revised 10.6 million in September), the second-highest level on record, while the quit rate edged down to 2.8% from a record high of 3% in September. Finally, Congress passed legislation that clears the way for the debt ceiling to be increased, which should see the country through the November 2022 midterm elections.

UK: GDP rose by only 0.1% m/m in October, weaker than the 0.4% expected, with strength in services offset by falling construction. It comes amid the government's announcement of new 'plan B' restrictions (mask wearing, vaccine passports for large public events and work from home guidance) to combat the spread of the Omicron strain, which may also weigh on growth in 1Q22. These developments cast doubt on the prospect of a small rate hike by the Bank of England this Thursday.

Japan: GDP in Q3 was revised down to an annualized -3.6% (from -3.0%), a steeper than expected contraction due to falls in fixed investment (-8.2%) and private consumption (-5.1%).

China: The central bank announced a second reserve requirement ratio (RRR) cut this year, of 50 bps, in a bid to free up liquidity (\$188 billion) and help bolster economic growth.

Financial markets: Global stock markets rallied last week, in part supported by favorable initial studies about the severity of the Omicron variant and the still-high protection offered by vaccine booster shots. The S&P 500 closed at a record high, gaining 3.8% w/w, the best weekly performance in around 10 months. The MSCI GCC index was up 1% w/w, driven by Dubai (+5%), Abu Dhabi (+3.9%) and Kuwait (+1.5%).

Oil: Crude markets rallied last week as fears over the severity of Omicron receded amid positive reports of Pfizer vaccine efficacy. Indeed, Brent posted its biggest weekly gain since August to close at \$75.2/bbl (+7.5% w/w; +45.1% ytd).

MENA Region

Kuwait: Consumer price inflation eased to 2.9% in August from 3.2% in July (+0.2% m/m). Price increases were largely driven

by the food (+9.7% y/y), recreation (+6.7% y/y) and clothing (+6.6% y/y) categories. Core inflation (excl. food and housing) eased to 2.6% from 2.9% in July. Meanwhile, according to media report the Supreme Council for Privatization has approved a 20-year plan to privatize 38 governmental entities such as the airport, Shuwaikh port and parts of the transportation and communication sectors.

Bahrain: Parliament has approved a bill to double the VAT rate to 10% from 5%. The bill has been referred to the Shura Council for ratification, which could then see it rolled out by 1 Jan 2022.

Saudi Arabia: The PMI inched down for the second consecutive month in November, but remained strong at 56.9. Output, though down slightly, was still robust (61.7), while new orders reflected ongoing solid growth (62.2).

UAE: The government will move to a 4.5 day working week to be in line with international business practices and markets, potentially adding an extra half day of trading with the rest of the world. Also announced was a plan for AED50 billion railway program, which will be the largest integrated system for transporting goods and passengers across the country. The program should create more than 9,000 jobs by 2030.

Egypt: Urban inflation eased in November to 5.6% y/y from 6.3% in October, as food inflation eased to 8.1% from 11.5%. The core inflation rate however ticked up to 5.8% from 5.2%. Meanwhile, the PMI held at 48.7 in November, while the output price component (54.3) continued to trend higher.

Key takeaways:

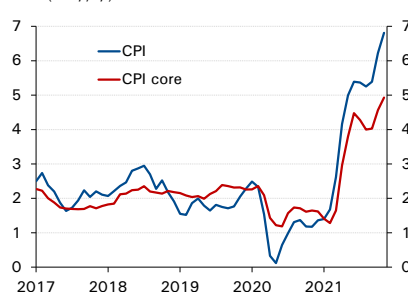
- Despite the Omicron-related headwind, markets expect that November's spike in US inflation has only strengthened the case for a faster taper decision at this week's Fed meeting.
- Kuwait's inflation rate has softened in the past couple of months of data (July/Aug), partly due to slowing food price rises. Based upon a further moderation in food price inflation but slightly higher core pressures, inflation could be steady at just below 3.0% by year end.
- The VAT hike in Bahrain could increase fiscal revenues by around 2% of GDP in 2022, helping to plug the government's projected budget deficit of BHD1.1 billion (7.5% of GDP).
- A further easing in Egypt's inflation rate has pushed it back towards the bottom-end of the central bank's 7% +/-2% target range. The bank meets this week, and the data should help push back any expectations of an early interest rate hike.

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



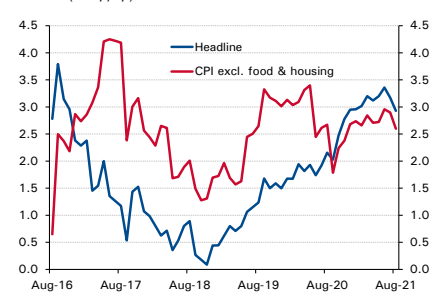
Source: Refinitiv

▶ **Chart 2: US Consumer inflation**
(% y/y)



Source: Refinitiv

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



Source: CSB

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	5,055	3.1	-3.0
DAX	15,623	3.0	13.9
DJIA	35,971	4.0	17.5
Eurostoxx 50	4,199	2.9	18.2
FTSE 100	7,292	2.4	12.9
Nikkei 225	28,438	1.5	3.6
S&P 500	4,712	3.8	25.5
Regional			
Abu Dhabi SM	8,883	3.9	76.1
Bahrain ASI	1,786	1.4	19.9
Dubai FM	3,226	5.0	29.5
Egypt EGX 30	11,535	1.9	6.4
MSCI GCC	725	1.0	32.6
Kuwait SE	7,042	1.5	27.0
KSA Tadawul	10,939	0.5	25.9
Muscat SM 30	4,008	0.3	9.5
Qatar Exchange	11,619	0.1	11.3

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.48	12.6	57.0
Bunds 10 Year	-0.35	2.8	22.5
Gilts 10 Year	0.74	-0.6	54.6
JGB 10 Year	0.05	0.4	3.2
Regional			
Abu Dhabi 2027	1.79	6.9	48.0
Oman 2027	4.43	-8.2	-74.8
Qatar 2026	1.70	4.1	52.3
Kuwait 2027	1.70	4.1	38.3
Saudi Arabia 2028	2.08	-2.3	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	75.2	7.5	45.1
KEC	74.9	5.0	47.8
WTI	71.7	8.2	47.7
Gold	1782.9	0.1	-5.8

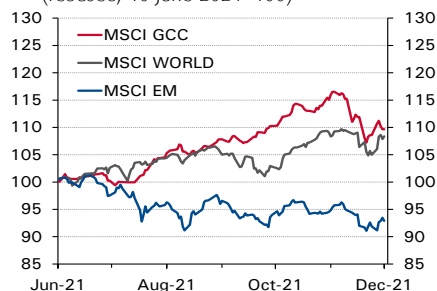
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.52	0.0	-73.3
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.13	-3.5	0.4
Eibor - 3 month	0.40	5.3	-11.0
Saibor - 3 month	0.85	0.4	3.3
Libor - 3 month	0.20	2.1	-3.8
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	0.0	-0.4
KWD per EUR	0.340	0.0	-6.4
USD per EUR	1.131	0.0	-7.4
JPY per USD	113.4	0.5	9.8
USD per GBP	1.327	0.3	-3.0
EGP per USD	15.66	0.0	-0.2

Updated on 10/12/2021

Source: Refinitiv

International equity markets

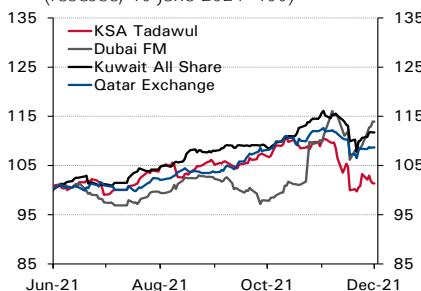
(rebased, 10 June 2021=100)



Source: Refinitiv

GCC equity markets

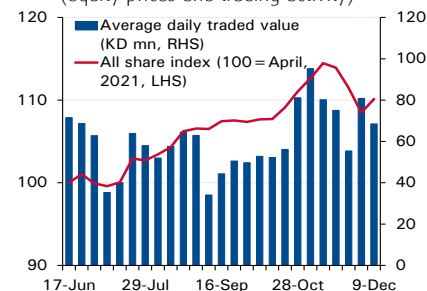
(rebased, 10 June 2021=100)



Source: Refinitiv

Bursa Kuwait

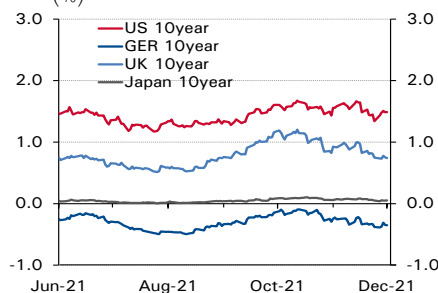
(equity prices and trading activity)



Source: Refinitiv

International bond yields

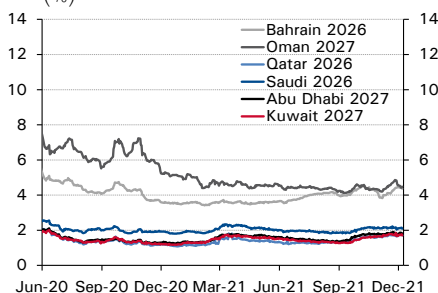
(%)



Source: Refinitiv

GCC bond yields

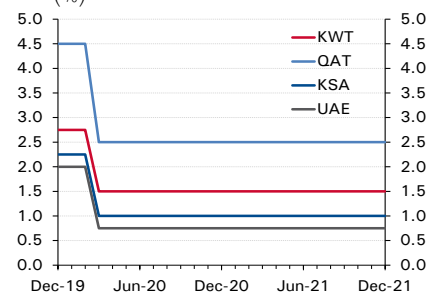
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv