

International

US: President Trump's positive test for Covid-19 and subsequent hospitalization injected fresh uncertainty into the presidential election now just over four weeks away. Meanwhile, the House of Representatives passed a \$2.2 trillion stimulus package including an extension of jobless benefits, though it is unlikely to pass the Republican-held Senate. US monthly labor market data – the last before the election – showed a weaker-than-consensus 661,000 jobs created in September (versus 1.5 million in August), while unemployment fell 0.5% points to 7.9%, a more gradual fall than in previous months and suggesting that the pace of recovery is slowing. Finally, personal incomes dropped 2.7% m/m in August as some stimulus measures lapsed, but core PCE inflation still came in a five-month high of 1.6% y/y.

Europe: Eurozone (flash) inflation fell further to -0.3% y/y in September while the core rate dropped to an all-time low of 0.2%. Weakness is being driven by temporary factors including the temporary cut in German VAT, as well as lower energy prices and Covid-related effects. But continued softness could pressure the ECB to loosen policy further in December. Christine Lagarde, the ECB president hinted recently that the ECB could follow the Fed in allowing inflation to run above the simple 2% target.

Financial markets: Global equities were positive but volatile as investors weighed stimulus hopes against recovery and virus uncertainty. Gains were led by European shares, with the Euro Stoxx 50 up 1.7% w/w, while the S&P500 gained 1.5%.

Oil: Concerns over a second wave of oil demand weakness, brought into sharp focus by President Trump's positive Covid diagnosis, pushed Brent down 6.3% last week to \$39.3/bbl, its lowest level since mid-June. This followed oil's first monthly decline in five months in September (-9.6%). Market bearishness was compounded by a weaker-than-expected US jobs report and by returning Libyan crude supplies.

MENA Region

Kuwait: The Amir Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah passed away on September 29. Sheikh Sabah ascended to the throne in 2006 and previously served as prime minister for three years and before that for decades as deputy prime minister and foreign minister. Former Crown Prince Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah – Sheikh Sabah's half-brother – was sworn in as Amir the following day.

Saudi Arabia: GDP dropped by 7% y/y in 2Q20 (-1% in Q1). The non-oil sector contracted by 8.2% y/y (-12.7% q/q), while the oil sector was down 5.3% y/y. Meanwhile, the Ministry of Finance released the pre-budget document for 2021, estimating the fiscal deficit at 12% of GDP in 2020, but improving to 5.1% in 2021 on lower spending and higher revenues. GDP is estimated to fall 3.8% in 2020 then rebound 3.2% in 2021.

UAE: Domestic credit increased 4.5% y/y in July on the back of a significant increase in credit to the government and GREs of 22% and 20% respectively. Private sector credit declined by -1.1% on weaker lending to the business sector (-0.7%) and to individuals (-2.2%). Resident deposits increased 6.2% y/y.

Bahrain: GDP contracted 8.9% y/y in 2Q20 due to the lockdown measures. Oil GDP rose 3.2%, but non-oil GDP fell 11.5% due to the impact of Covid-19 on hotels & restaurants (-61%), transportation & communication (-47%) and trade (-9%). Meanwhile, inflation stood at -3.6% y/y in August compared with -2.7% in July.

Egypt: The government sold \$750 million in green bonds, becoming the first Arab country to issue such paper. The issue was almost five times oversubscribed, and the funds will finance the development of a \$1.9 billion portfolio of green projects, including clean transportation, renewable energy and sustainable water management.

Financial markets: GCC equities were mostly positive but weighed down overall by losses in Kuwait after the demise of His Highness the Amir. The MSCI GCC was little changed, up 0.2% w/w, with Kuwait's All-Share down 2.9% w/w.

Key takeaways:

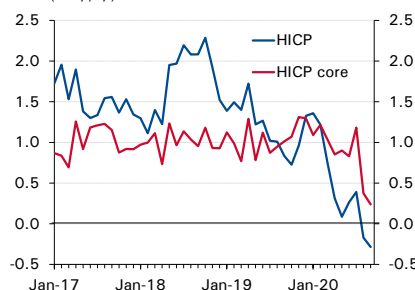
- President Trump's Covid-19 diagnosis and hospitalization as the election nears is likely to leave financial markets on edge in coming days, especially with the slowing recovery in the US jobs market sowing doubt about economic prospects.
- With oil demand prospects to year-end looking weaker due to resurgent virus infections, OPEC+ supply management and compliance will assume greater importance. The simple fact is that the market just cannot absorb current OPEC+ output.
- The contractions in non-oil GDP in both Saudi Arabia and Bahrain in the critical Q2 period were severe as expected but generally smaller than those seen in for example the Eurozone (-15%). Government support policies as well as the smaller size of worst-hit sectors such as hospitality may have helped.

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



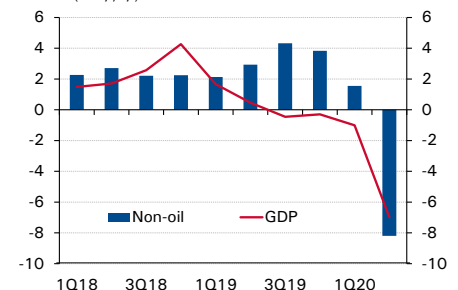
Source: Refinitiv

▶ **Chart 2: Eurozone HICP inflation** (% y/y)



Source: Refinitiv

▶ **Chart 3: Saudi real GDP** (% y/y)



Source: Gastat

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,587	0.4	12.0
DAX	12,689	1.8	-4.2
DJIA	27,683	1.9	-3.0
Eurostoxx 50	3,191	1.7	-14.8
FTSE 100	5,902	1.0	-21.7
Nikkei 225	23,030	-0.8	-2.6
S&P 500	3,348	1.5	3.6
Regional			
Abu Dhabi SM	4,492	0.6	-11.5
Bahrain ASI	1,432	-1.2	-11.0
Dubai FM	2,266	0.6	-18.1
Egypt EGX 30	11,051	1.3	-20.8
MSCI GCC	518	0.2	-8.6
Kuwait SE	5,445	-2.9	-13.3
KSA Tadawul	8,295	0.7	-1.1
Muscat SM 30	3,615	-0.3	-9.2
Qatar Exchange	10,006	2.2	-4.0

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	0.69	3.5	-121.6
Bunds 10 Year	-0.54	-1.2	-35.0
Gilts 10 Year	0.25	5.6	-57.9
JGB 10 Year	0.02	0.9	4.1
Regional			
Abu Dhabi 2022	0.78	1.2	-126.8
Dubai 2022	1.34	-11.0	-113.2
Qatar 2022	0.91	-2.3	-115.5
Kuwait 2022	0.96	-10.5	-110.4
KSA 2023	0.98	-37.7	-131.7
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	39.3	-6.3	-40.5
KEC	38.3	-10.4	-43.9
WTI	37.1	-8.0	-39.3
Gold	1900.2	2.3	25.1

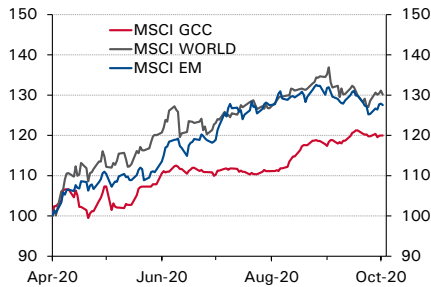
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.25	0.0	-41.7
Kibor - 3 month	1.63	0.0	-112.5
Qibor - 3 month	0.93	-2.0	-132.2
Eibor - 3 month	0.47	0.6	-173.9
Saibor - 3 month	0.87	-0.5	-136.4
Libor - 3 month	0.23	0.1	-167.4
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	-0.1	1.0
KWD per EUR	0.358	0.3	7.6
USD per EUR	1.171	0.7	4.5
JPY per USD	105.3	-0.3	-3.0
USD per GBP	1.293	1.5	-2.5
EGP per USD	15.70	-0.3	-1.9

Updated on 2/10/2020

Source: Refinitiv

International equity markets

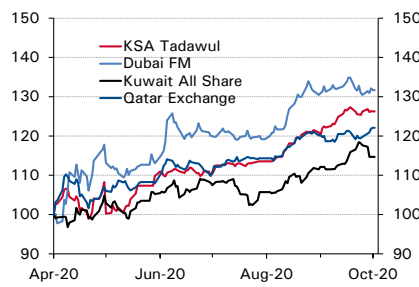
(rebased, 1 April 2020=100)



Source: Refinitiv

GCC equity markets

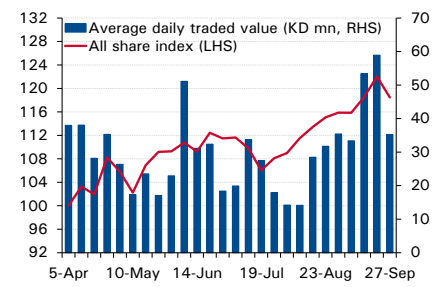
(rebased, 1 April 2020=100)



Source: Refinitiv

Bursa Kuwait

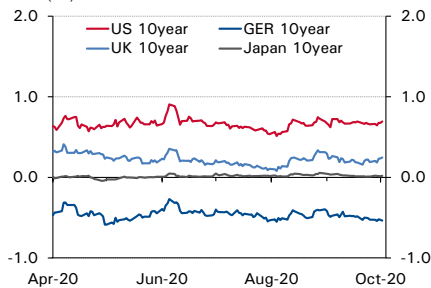
(equity prices and trading activity)



Source: Refinitiv

International bond yields

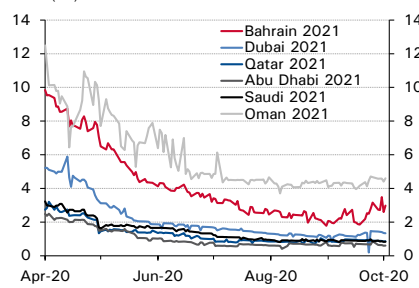
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Source: Refinitiv

GCC bond yields

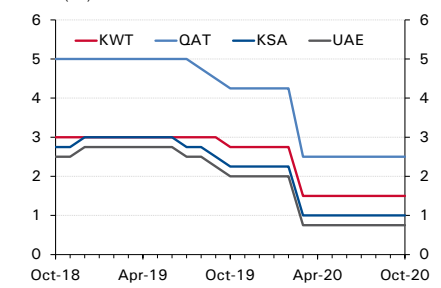
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv