

International

US: The US and China reached a limited trade agreement that sees China purchase more US agricultural goods and the US shelve tariff hikes scheduled for later this week. However, it leaves existing tariffs in place and the potential for the US to follow through with levies already planned for December. Meanwhile, CPI inflation edged down to 1.7% y/y in September from 1.8% in August, with the core rate unchanged at 2.4%. Finally, the Fed announced that it would buy short-term treasury bills at a rate of \$60 billion per month through 2Q20, to ease recent bank liquidity shortages.

UK: The UK and EU signaled a possible breakthrough in Brexit talks with a proposal that would see EU customs checks take place in the Irish sea between Northern Ireland and the rest of the UK. If finalized, then approved by the UK parliament, the deal would enable the UK to leave the EU at end-October.

Financial markets: Global equities rallied on trade deal hopes. The MSCI AC world gained 1.1% w/w led by the Eurostoxx 50 (3.6%), while the DJI rose by 0.9%. Easing market tensions also sent the 10-year treasury yield up 24 bps to 1.75%.

Oil: The US-China deal and an unclaimed attack on an Iranian oil tanker helped lift oil prices, with Brent up 3.7% w/w to a near two-week high of \$60.5/bbl. It had been a topsy-turvy week for oil, with prices gaining on the Turkish incursion into Syria before falling on a fourth consecutive week of US crude stock builds (not atypical during the refinery maintenance season) and record US crude production (12.6 mb/d). The IEA trimmed its 2019 and 2020 oil demand growth forecasts to 1 mb/d and 1.2 mb/d, respectively, on major economy weaknesses.

MENA Region

GCC: Gulf countries performed well in the latest global annual competitiveness rankings compiled by the World Economic Forum, with most improving their rank and all but Oman ranking in the top 50 out of 140 countries in the survey. The UAE was again top ranked in the Gulf at 25, but Kuwait was the biggest improver, rising eight places to 46 on advances in ICT adoption and health. Kuwait also ranked joint first in the world for macroeconomic stability, reflecting low inflation and debt levels.

Kuwait: The Ara consumer confidence index edged up from 105 in August to 107 in September, amid improvements in the current and future economic environment components.

However, the index overall is still below the 2018 average of 112 due to continued softness in the durable goods purchases and employment conditions segments.

Saudi Arabia: Fitch downgraded the credit rating of state oil producer Aramco by one notch to A, having downgraded the Saudi sovereign to the same level a week earlier in light of the September attacks on Saudi oil infrastructure. The firm's standalone credit profile however was unchanged at AA+. Aramco may reportedly issue its IPO prospectus by end-month.

Bahrain: GDP growth eased for the second straight quarter in 2Q19, from 2.7% y/y in 1Q19 to an over one-year low of 0.8%, led by a decline in oil sector output (-0.8%) on lower crude output from the offshore Safah field. Non-oil growth moderated slightly to 1.2%, though a pick-up in construction and transportation activity helped partially offset continued softness in manufacturing and financial services.

Egypt: Inflation slowed further in September, to 4.8% y/y from 7.5% in August and to its lowest level in almost seven years. Inflation has been on a trend decline since peaking at 33% in mid-2017. The latest drop was driven partly by a sharp deceleration in food & beverage inflation to 0.3% from 6.9% in August. However, the core rate also fell significantly to 2.6% from 4.9% in August.

Financial markets: GCC equities were mixed but negative overall, pressured by oil price volatility and geopolitical risk. The MSCI-GCC lost 1.6% w/w, weighed down mostly by Saudi Arabia (-2.8%). Kuwait meanwhile recovered most of the previous week's declines, with the All-Share index up 1.2%.

Key takeaways:

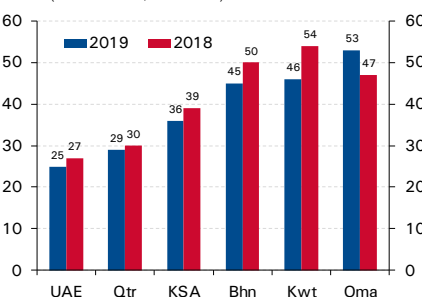
- The limited US-China trade agreement is a start in defusing the rise in trade tensions. But it is unlikely to be enough to reverse the slowdown in the global economy and the IMF could downgrade its already moderate growth forecasts this week.
- Kuwait's improved rank in the WEF competitiveness report comes soon after it was named one of the top 20 'improvers' in the latest 'Ease of Doing Business' standings. These developments are a welcome boost for the investment climate.
- The continued sharp fall in Egypt's inflation rate gives the central bank further space to cut interest rates at its next meeting in November, in order to boost private activity and curb debt service costs. A cut of 100-200 bps is possible.

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



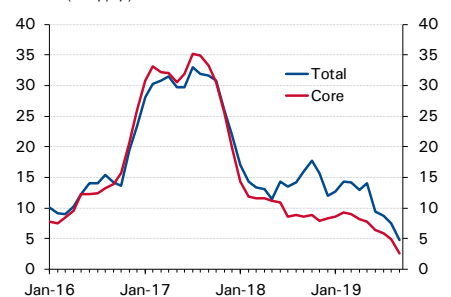
Source: Refinitiv

▶ **Chart 2: GCC competitiveness ranks** (out of 140, 1= best)



Source: WEF Competitiveness Report 2019

▶ **Chart 3: Egypt inflation** (% y/y)



Source: Refinitiv

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,912	2.5	29.9
DAX	12,512	4.2	18.5
DJIA	26,817	0.9	15.0
Eurostoxx 50	3,570	3.6	18.9
FTSE 100	7,247	1.3	7.7
Nikkei 225	21,799	1.8	8.9
S&P 500	2,970	0.6	18.5
Regional			
Abu Dhabi SM	5,073	0.9	3.2
Bahrain ASI	1,523	0.7	13.9
Dubai FM	2,810	1.8	11.1
Egypt EGX 30	14,302	0.6	9.7
MSCI GCC	528	-1.6	-1.3
Kuwait SE	5,706	1.2	12.3
KSA Tadawul	7,695	-2.8	-1.7
Muscat SM 30	4,014	-0.3	-7.2
Qatar Exchange	10,228	-0.8	-0.7

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.75	23.9	-93.8
Bunds 10 Year	-0.44	14.9	-68.4
Gilts 10 Year	0.71	26.4	-56.1
JGB 10 Year	-0.18	3.0	-18.1
Regional			
Abu Dhabi 2022	2.16	3.8	-114.1
Dubai 2022	2.61	-2.6	-131.9
Qatar 2022	2.22	8.8	-123.4
Kuwait 2022	2.17	4.8	-115.4
KSA 2023	2.57	27.1	-130.8
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	60.5	3.7	12.5
KEC	61.7	4.5	18.2
WTI	54.7	3.6	20.5
Gold	1482.7	-1.6	16.0

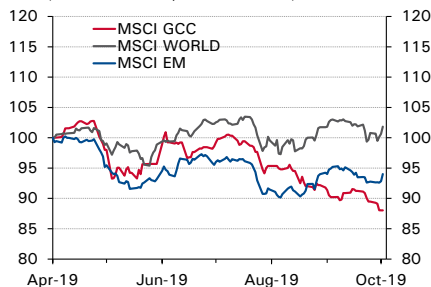
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.95	-6.7	-100.0
Kibor - 3 month	2.88	0.0	56.3
Qibor - 3 month	2.60	2.7	-30.6
Eibor - 3 month	2.31	2.2	-52.7
Saibor - 3 month	2.31	-3.7	-66.8
Libor - 3 month	1.99	-5.7	-82.2
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	-0.1	0.1
KWD per EUR	0.333	0.1	-4.3
USD per EUR	1.104	0.6	-3.7
JPY per USD	108.4	1.4	-1.1
USD per GBP	1.265	2.6	-0.9
EGP per USD	16.23	-0.2	-9.1

Updated on 11/10/2019

Source: Refinitiv

International equity markets

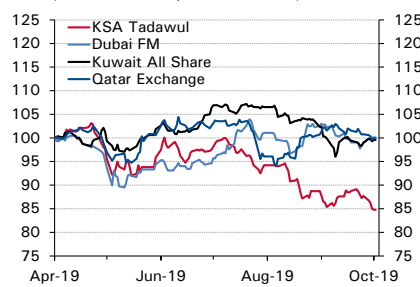
(rebased, 10 April 2019=100)



Source: Refinitiv

GCC equity markets

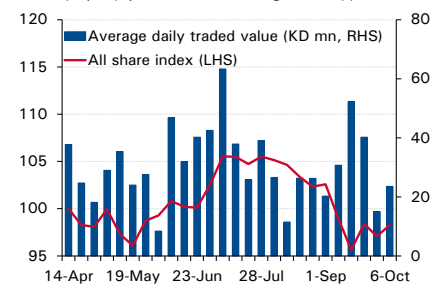
(rebased, 10 April 2019=100)



Source: Refinitiv

Bursa Kuwait

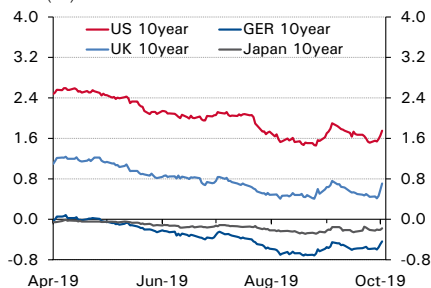
(equity prices and trading activity)



Source: Refinitiv

International bond yields

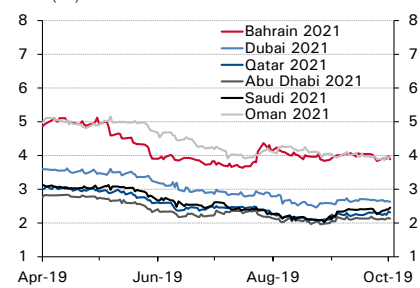
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Source: Refinitiv

GCC bond yields

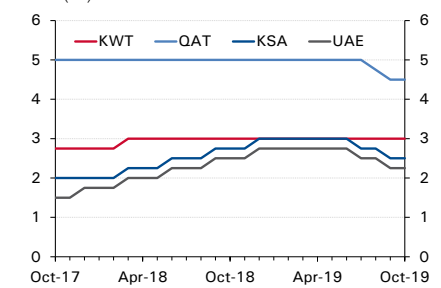
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv