

International

US: President Trump proposed a new \$1.8 trillion stimulus package, a figure closer to the \$2.2 trillion put forward by the Democrats than the Republican party's earlier offer. The new package includes enhanced unemployment payments and individual stimulus cheques, and funds for financially-stretched cities and states. However, the latest proposal has been rejected by Democrats as inadequate. On economic data, new jobless claims were broadly flat at 840,000 for the week-ending October 3, disappointing the consensus and still roughly four times' above pre-pandemic levels. Continuing claims (released with a one-week lag) did fall significantly by 1 million however, pushing the unemployment rate down to 7.5% from 8.2% before. More encouragingly, the ISM non-manufacturing activity index rose to a solid 57.8 in September (56.9 in September), though many firms conceded that the outlook remains uncertain.

Financial markets: Global equities regained traction on renewed stimulus hopes. The MSCI AC world rose 3.4% w/w led by US markets, with the S&P500 up a solid 3.8% w/w, reaching a 5-week high. The improved sentiment pushed the US 10-year treasury yield up 8 bps w/w to 0.78%.

Oil: Supply disruptions helped Brent gain 9.1% w/w to \$42.9/bbl. More than 91% of US Gulf of Mexico crude production (1.7 mb/d) had to be taken off-line due to Hurricane Delta, while in Norway, a labor strike by oil workers saw at least 300 kb/d of supply shut-in. Also, Saudi Arabia is reconsidering the scheduled 2021 production cut tapering as it is concerned about depressed demand amid rising coronavirus infections. Returning Libyan oil supply is another consideration. Markets were also heartened by US President Trump's about-turn on the stimulus package. Meanwhile, in its latest Outlook, OPEC projected oil demand to recover to pre-pandemic levels in 2022 and continue to grow for 20 years – diverging from those who predict peak demand to have already happened or to occur much sooner, like BP.

MENA Region

Kuwait: Kuwait's new Crown Prince, Sheikh Mishaal Al-Ahmad Al-Jaber Al-Sabah, was confirmed on Thursday with parliament unanimously backing the Amir's choice in the final assembly session before elections due late November or early December. Meanwhile, despite economic weakness due to lockdown measures, LMIS data shows that wage growth edged up to 2.7% y/y in 2Q20 from 2.5% in Q1. Wage growth for non-Kuwaitis

rose to 3% from 2.7% in Q1, perhaps linked to the departure of a number of lower-wage expatriates.

Saudi Arabia: The value of POS transactions for the week ending 3 October was up by 18% w/w to stand at SAR 9 billion. For the month of September, POS payments are estimated to have increased by 33% y/y and 6% m/m, to record the second-highest monthly reading so far this year, after June, when POS payments had spiked before the VAT tripling came into effect in July. This gives only a partial picture of consumer spending as ATM withdrawals, which have been weak, are not included.

UAE: The non-oil PMI showed a slight improvement, rising from 49.4 in August to 51 in September as output registered a mild increase following the impact of lockdown measures. Meanwhile, inflation remained negative at -2.6% y/y in August versus -2.1% in July as housing, transportation, and recreation & culture declined by -3.0%, -9.8%, and -31.7%, respectively.

Egypt: Inflation accelerated from 3.4% y/y in August to 3.7% (+0.3% m/m) in September, despite food & beverage prices at -2.6% y/y (-0.2% m/m). However inflation has still averaged only 5% so far this year, its lowest since 2005. Meanwhile, the PMI turned positive in September for the first time since July 2019, reaching 50.4 (49.4 in August), its highest reading in 14 months. This suggests that non-oil activity appears to have improved from the coronavirus slowdown period.

Financial markets: GCC markets mostly tracked their global peers higher on improved sentiment. The MSCI GCC gained 1.9% w/w, lifted by a strong rebound in Kuwait's All-Share index (5.1% w/w) following the appointment of the new Amir.

Key takeaways:

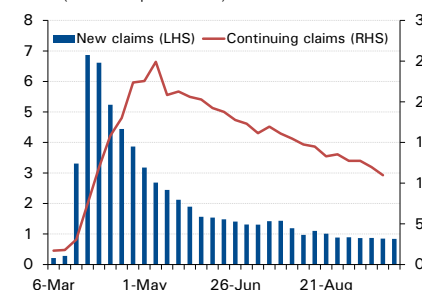
- Continued arguing over the size of a fresh US stimulus package is cutting hopes of a pre-election deal. Politics aside, the deal is important as it would boost an economic recovery in danger of stalling as earlier stimulus fades and amid stubbornly high figures for new jobless claims and Covid infections.
- OPEC's relatively upbeat long-term oil scenario is based on robust emerging market energy needs and renewables not having the required penetration level. Oil will still account for the largest share of the energy mix by 2045, around 28%.
- Inflation in Egypt remains well below the central bank's target of 9% ($\pm 3\%$). Real interest rates are still high to attract portfolio investment and support the pound, and the bank may consider lowering interest rates at its November meeting to support the economic recovery.

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



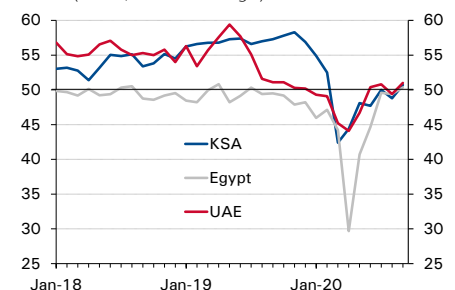
Source: Refinitiv

▶ **Chart 2: US jobless claims** (millions per week)



Source: Refinitiv

▶ **Chart 3: MENA PMIs** (index, 50=no change)



Source: IHS Markit

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,681	2.0	14.3
DAX	13,051	2.9	-1.5
DJIA	28,587	3.3	0.2
Eurostoxx 50	3,273	2.6	-12.6
FTSE 100	6,017	1.9	-20.2
Nikkei 225	23,620	2.6	-0.2
S&P 500	3,477	3.8	7.6
Regional			
Abu Dhabi SM	4,513	0.5	-11.1
Bahrain ASI	1,458	1.8	-9.4
Dubai FM	2,214	-2.3	-19.9
Egypt EGX 30	11,327	2.5	-18.9
MSCI GCC	528	1.9	-6.9
Kuwait SE	5,725	5.1	-8.9
KSA Tadawul	8,413	1.4	0.3
Muscat SM 30	3,604	-0.3	-9.5
Qatar Exchange	10,032	0.3	-3.8

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	0.78	8.1	-113.5
Bunds 10 Year	-0.53	0.3	-34.7
Gilts 10 Year	0.28	3.6	-54.3
JGB 10 Year	0.03	1.2	5.3
Regional			
Abu Dhabi 2022	0.68	-9.6	-136.4
Dubai 2022	1.20	-13.3	-126.5
Qatar 2022	0.84	-6.9	-122.4
Kuwait 2022	0.74	-21.7	-132.1
KSA 2023	0.86	-11.8	-143.5
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	42.9	9.1	-35.1
KEC	36.5	-3.1	-46.6
WTI	40.6	9.6	-33.5
Gold	1919.5	1.0	26.3

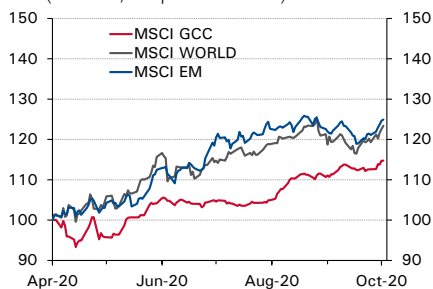
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.25	0.0	-41.7
Kibor - 3 month	1.56	-6.3	-118.8
Qibor - 3 month	1.21	27.7	-104.4
Eibor - 3 month	0.45	-1.9	-175.8
Saibor - 3 month	0.86	-0.6	-137.0
Libor - 3 month	0.22	-1.4	-168.8
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	-0.1	0.9
KWD per EUR	0.358	0.0	7.6
USD per EUR	1.182	0.9	5.5
JPY per USD	105.6	0.2	-2.8
USD per GBP	1.305	0.9	-1.6
EGP per USD	15.66	-0.3	-2.1

Updated on 9/10/2020

Source: Refinitiv

International equity markets

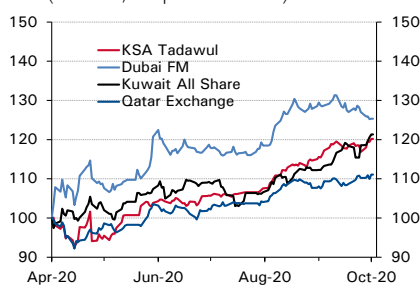
(rebased, 8 April 2020=100)



Source: Refinitiv

GCC equity markets

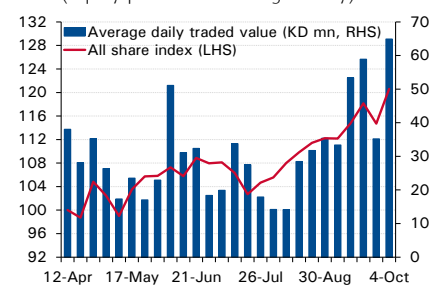
(rebased, 8 April 2020=100)



Source: Refinitiv

Boursa Kuwait

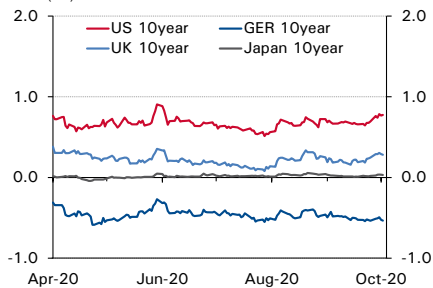
(equity prices and trading activity)



Source: Refinitiv

International bond yields

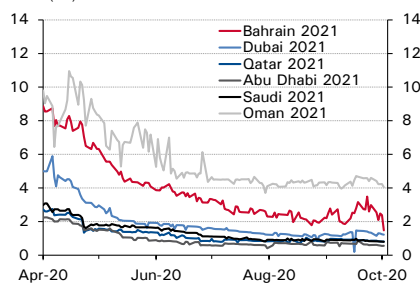
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Source: Refinitiv

GCC bond yields

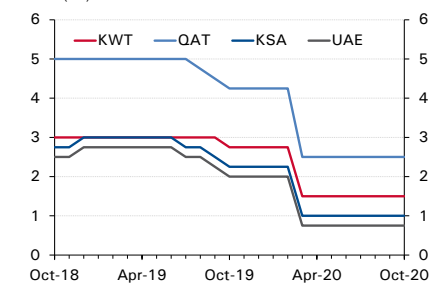
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv