

International and markets

US: Consumer prices increased by a significantly higher-than-expected 0.9% m/m in October resulting in a 6.2% y/y increase (5.4% in September), the highest in more than 30 years. The core rate (+0.6% m/m, +4.6% y/y) also exceeded expectations with a broad-based increase in prices across the various subsectors of both goods and services. University of Michigan's consumer sentiment index tumbled to 66.8 in November (71.7 in October), the lowest reading in a decade with high inflation cited as the main driver for that weakness. Meanwhile, weekly initial jobless claims continued their downtrend, falling to a pandemic era-low of 267k and getting closer to pre-Covid levels.

Europe: UK GDP rose by a softer-than-expected 1.3% q/q in 3Q21, following a 5.5% jump in Q2. Output remains 2.1% below pre-pandemic levels. Weakness was seen in exports and inventories, with the latter affected by supply chain disruptions. Meanwhile, the EU said it will extend the post-Brexit access of EU banks to UK clearing houses by one year to June 2023 to avoid potential financial instability. Tensions over Brexit persist, but a deal to reduce sensitive customs checks in Northern Ireland seems close, averting a potentially escalating trade war.

Oil: Brent finished the week down at \$82.2/bbl (-0.7% w/w; +58.6% ytd), a third consecutive week of declines. The bearish turn relates to worries about high US inflation (also reflected in an appreciating US dollar) and resurgent coronavirus infections in the northern hemisphere (with Europe as the fourth wave's new epicenter). OPEC in its monthly oil market report also noted the weaker oil demand in emerging economies, cutting its full-year 2021 demand growth estimate by 160 kb/d to 5.7 mb/d.

Financial markets: Global markets were mixed but little changed overall (MSCI AC World +0.2% w/w) as gains in the MSCI EM (+1.6%) were offset by losses in the US (DJIA -0.6%) amid surging inflation data, which pushed the US 10-year treasury yield up 12 bps w/w to 1.57%. The MSCI GCC (+2.2% w/w) outperformed, led by Abu Dhabi (3.4%) and Kuwait (1.6%), as sentiment remained solid on good corporate earnings, increased IPO activity, and still elevated oil prices.

MENA Region

Kuwait: Consumer price inflation ticked up to 3.4% y/y (+0.5% m/m) in June, on the back of price increases across most indices including food (+11.5% y/y) and transportation (+5.5%). MOF data shows that for the first five months of FY21/22 (through August) the cumulative fiscal deficit widened to KD 818 million

(from KD 49 million in July) on revenues of KD 6.8 billion and expenditures of KD 7.6 billion (33% of budget). Capital spending stood at KD 256 million (9.8% of budget). Meanwhile, domestic credit increased by a relatively strong 1% m/m, pushing up y/y growth to 4% through September, driven by household credit (+11% y/y) while business credit remains muted (+0.3%). Finally, with an increase of 0.6% m/m, consumer spending grew by 24% y/y in October, its highest annual rate since July, and despite the loosening of travel restrictions in the summer, which would have diverted domestic spending abroad.

Saudi Arabia: Flash GDP estimates for 3Q2021 showed a very strong growth of 6.8% y/y, the highest since 2012, with oil GDP surging by 9%. We estimate this reflects around 5.4% non-oil GDP growth for Q3, which would be in line with the increase recorded in 1H2021. The government issued two-tranche dollar-denominated Sukuk and bonds with a total value of \$3.25bn that was heavily oversubscribed. The first tranche was for \$2bn maturing in 2031 and yielding 2.25%, while the second was for \$1.25bn maturing in 30 years and yielding 3.25%.

Egypt: Inflation decelerated to 6.3% y/y in October from 6.6% in September, though still higher than the 2021 average of 5.1%. This relatively high inflation is attributed to the rise (11.6%) in food and beverages prices, amid supply constraints and higher international food prices. Meanwhile, after the recent success of the E-Finance company IPO, the government announced plans to increase the private sector's share in the economy to 50% in the next three years from 30% currently.

Key takeaways:

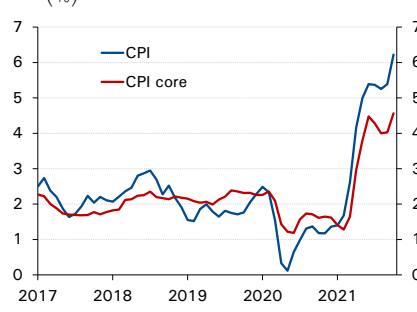
- Accelerating inflation is putting the Fed in a difficult position as it looks to wind down its stimulus policies in an orderly fashion. If inflation continues trending upwards in the coming months, the Fed may be compelled to wrap up asset tapering earlier than scheduled and hike rates immediately after that.
- The Saudi economy continues to bounce back well from the pandemic. Non-oil growth in Q3 was very robust and exceeded expectations, and full year growth could hit 4.7% to 5%, as recently suggested by the Minister of Finance.
- Despite the increase in the Kuwaiti government's fiscal deficit in August, at 4.8% of GDP for the first 5 months of the fiscal year, it still looks on track for a marked improvement on last year. While expenditures are expected to catch up to close to what was budgeted, oil revenues will benefit from the increase in oil prices in September and October.

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



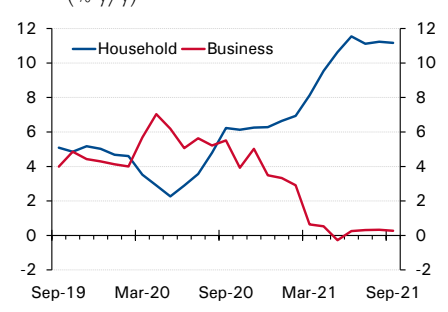
Source: Refinitiv

► **Chart 2: US inflation rate** (%)



Source: Refinitiv

► **Chart 3: Credit growth in Kuwait** (% y/y)



Source: CBK

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,888	1.0	-6.2
DAX	16,094	0.2	17.3
DJIA	36,100	-0.6	17.9
Eurostoxx 50	4,370	0.2	23.0
FTSE 100	7,348	0.6	13.7
Nikkei 225	29,610	0.0	7.9
S&P 500	4,683	-0.3	24.7
Regional			
Abu Dhabi SM	8,286	3.4	64.2
Bahrain ASI	1,789	0.6	20.1
Dubai FM	3,141	1.1	26.0
Egypt EGX 30	11,573	-0.3	6.7
MSCI GCC	770	2.2	40.9
Kuwait SE	7,318	1.6	32.0
KSA Tadawul	11,899	1.2	36.9
Muscat SM 30	4,012	-0.9	9.6
Qatar Exchange	12,041	0.8	15.4

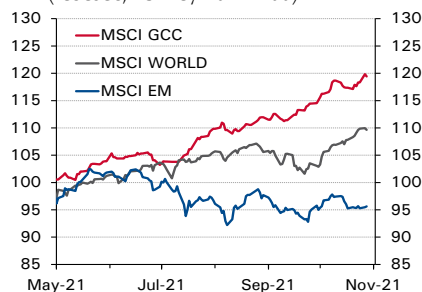
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.57	11.5	65.8
Bunds 10 Year	-0.26	2.4	31.9
Gilts 10 Year	0.92	7.0	71.9
JGB 10 Year	0.07	1.4	5.3
Regional			
Abu Dhabi 2027	1.74	-3.5	48.0
Oman 2027	4.28	9.9	-74.8
Qatar 2026	1.65	3.3	52.3
Kuwait 2027	1.69	5.3	38.3
Saudi Arabia 2028	2.14	4.5	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	82.2	-0.7	58.6
KEC	82.6	-0.1	63.1
WTI	80.8	-0.6	66.5
Gold	1867.9	2.8	-1.3

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	1.52	1.7	-73.3
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.16	1.9	4.0
Eibor - 3 month	0.29	0.1	-22.0
Saibor - 3 month	0.84	0.3	2.0
Libor - 3 month	0.16	1.2	-8.2
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.302	0.1	-0.6
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.145	-1.0	-6.2
JPY per USD	113.9	0.4	10.3
USD per GBP	1.341	-0.6	-1.9
EGP per USD	15.68	0.2	-0.1

Updated on 12/11/2021 Source: Refinitiv

International equity markets

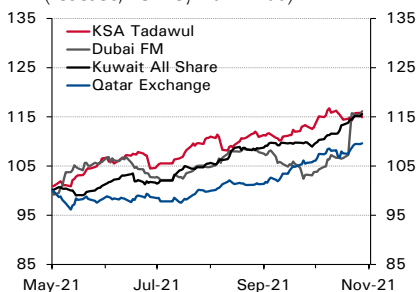
(rebased, 13 May 2021=100)



Source: Refinitiv

GCC equity markets

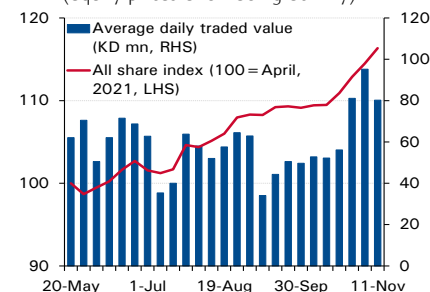
(rebased, 13 May 2021=100)



Source: Refinitiv

Boursa Kuwait

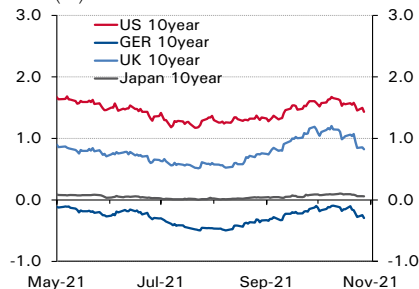
(equity prices and trading activity)



Source: Refinitiv

International bond yields

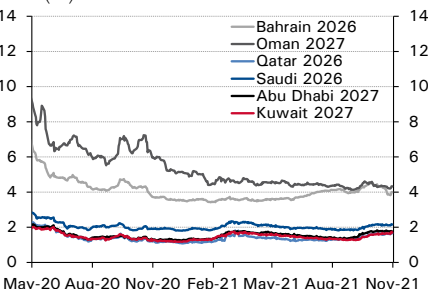
(%)



Source: Refinitiv

GCC bond yields

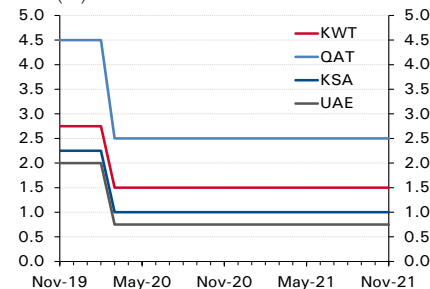
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv