

International and markets

US: The Fed Chairman struck a more wary tone on inflation and indicated that supply chain bottlenecks are likely to last well into 2022, which is longer than previously expected by policymakers. The IHS Markit US Composite PMI rose to 57.3 in October 2021 from 55.0 in September on a jump in the services index to a three-month high; the manufacturing index, though, decreased to a seven-month low. Meanwhile, September manufacturing output was weaker than expected, decreasing by 0.7% m/m, while August's growth was revised down to -0.4% from +0.2% previously. The drop in September was mainly driven by a 7.2% decrease in motor vehicles amid the semiconductor shortages.

China: GDP growth eased in 3Q21 (+4.9% y/y) amid ongoing power shortages and supply chain constraints as well as weaknesses in the property sector. In September, industrial activity grew at the weakest pace (+3.1% y/y) since March 2020 on higher input costs, while retail sales expanded (+4.4% y/y) on higher spending in the services sector.

Financial markets: Global stocks were mostly positive (MSCI AC World: +1.2% w/w), led by US markets. The S&P 500 touched a record high on Thursday, helped by solid corporate earnings, before easing on Friday on rising inflation concerns. GCC markets were broadly positive (MSCI GCC: +2.1% w/w), lifted by Dubai (+2.4%) and Saudi (+2.1%) as higher oil prices continued to bolster sentiment. Kuwait's All-Share gained 1.3%.

Oil: Tighter oil market fundamentals propelled Brent to an eighth consecutive weekly gain on Friday, closing up at \$85.5/bbl (+0.8% w/w; +65.1% ytd). US crude stocks also fell to their lowest levels since October 2018. Downside risks are present, though, evidenced by the resurgence of Covid-19 in Eastern Europe and weaker US (and Eurozone) manufacturing.

MENA Region

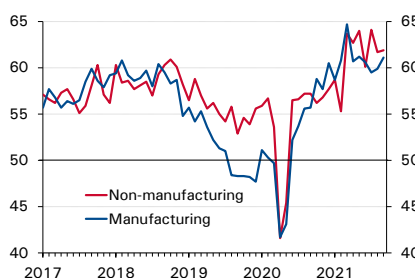
GCC/Egypt: The IMF in its Regional Economic Outlook projects GDP in the GCC to expand by 2.5% y/y in 2021 and then by 4.2% in 2022, benefiting from the global economic recovery and higher vaccination rates and oil prices. Fiscal deficits should narrow after 2021, on the back of recovering economic activity, higher oil prices and expiring Covid-19 spending measures as well as on fiscal consolidation. Growth in Egypt was revised up to 3.3% in 2021, and is then seen accelerating to 5.2% in 2022, supported by higher trade, tourism and remittances. Public finances to improve gradually with the recovery in revenues, the expiration of pandemic measures and fiscal adjustment.

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



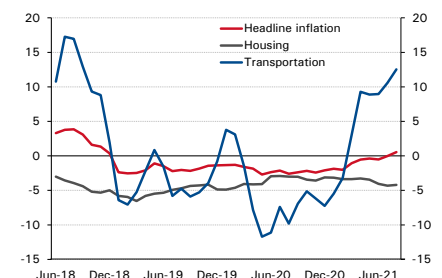
Source: Refinitiv

► **Chart 2: US ISM indices** (Index, 50=no change)



Source: Refinitiv

► **Chart 3: UAE inflation** (% y/y)



Source: FCSC

Kuwait: The IMF concluded its Article IV consultations, stressing the importance of continued pandemic-mitigation measures to support the economic recovery in the near term. Over the medium term, the focus should shift to a strong fiscal adjustment and reform plan (covering social benefits, the labor market, land allocation and the business environment) in order to ensure sustainability and enlarge the private sector. Meanwhile, sources have reported that the Cabinet will send 18 new laws and amendments to the National Assembly as part of its plan to expedite the pace of fiscal reforms, especially those relating to wage restructuring, re-pricing of services, issuance of debt and withdrawals from the FGF to finance the deficit.

Saudi Arabia: At the Saudi Green Initiative Forum, the Crown Prince announced the kingdom's intention to attain carbon neutrality by 2060 and through SAR700bn (\$186bn) worth of initial investments. The Riyadh Sustainability Strategy was also launched, with the aim of making the city one of the world's most sustainable via 68 initiatives across five sectors and 350k additional jobs. This could add SAR150bn (\$40bn) to GDP.

UAE: Inflation rose by 0.6% y/y in August on the back of higher transportation (+12.5%) and recreation & culture (+21.8%) costs and despite a decline in housing rental costs (-4.2% y/y).

Egypt: The MoF expects GDP to rise 5.4% and the primary fiscal surplus to reach 1.5% of GDP during FY21/22. The government also aims to reduce the overall deficit to 6.7% of GDP and public debt to less than 90% of GDP. Meanwhile, poverty rates fell to 29.7% in FY19/20, reflecting efforts to achieve social justice.

Key takeaways:

- In its latest regional report, the IMF forecasts improving economic conditions across the GCC, also benefitting next year from rising oil output. Risks include fresh pandemic pressures, tighter global financial conditions and (later on) climate shocks, particularly given the large economic role of the oil industry.
- In Kuwait, progress on the National Dialogue appears to have been made and a successful outcome could pave the way for speedier implementation of reforms. The government should focus on implementing policies that balance fiscal consolidation with measures to promote growth.
- The Saudi net-zero announcement is significant, coming ahead of the COP26 meeting. Carbon neutrality can still be combined with the target of increasing oil production capacity to 13 mb/d through carbon capture technologies as part of the authorities' 'circular' carbon economy strategy.

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,960	0.6	-4.8
DAX	15,543	-0.3	13.3
DJIA	35,677	1.1	16.6
Eurostoxx 50	4,189	0.1	17.9
FTSE 100	7,205	-0.4	11.5
Nikkei 225	28,805	-0.9	5.0
S&P 500	4,545	1.6	21.0
Regional			
Abu Dhabi SM	7,876	0.8	56.1
Bahrain ASI	1,724	0.9	15.7
Dubai FM	2,857	2.4	14.7
Egypt EGX 30	11,132	1.2	2.6
MSCI GCC	756	2.1	38.2
Kuwait SE	6,977	1.3	25.8
KSA Tadawul	11,940	2.1	37.4
Muscat SM 30	3,985	0.7	8.9
Qatar Exchange	11,871	1.8	13.8

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.64	6.4	72.6
Bunds 10 Year	-0.10	7.4	47.8
Gilts 10 Year	1.15	4.2	95.1
JGB 10 Year	0.09	1.0	6.8
Regional			
Abu Dhabi 2027	1.75	0.7	48.0
Oman 2027	4.27	-2.9	-74.8
Qatar 2026	1.62	-0.3	52.3
Kuwait 2027	1.57	-1.3	38.3
Saudi Arabia 2028	2.13	1.0	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	85.5	0.8	65.1
KEC	83.9	0.4	65.7
WTI	83.8	1.8	72.6
Gold	1795.5	1.6	-5.2

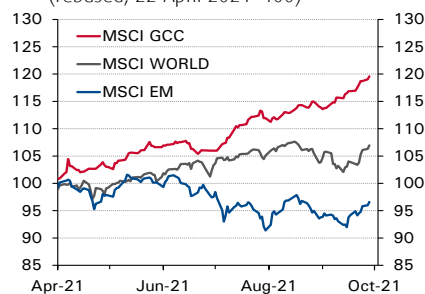
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	1.50	-1.7	-75.0
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.15	0.0	2.9
Eibor - 3 month	0.41	0.5	-10.0
Saibor - 3 month	0.82	0.4	0.2
Libor - 3 month	0.12	0.2	-11.5
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.301	-0.1	-0.9
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.165	0.4	-4.6
JPY per USD	113.5	-0.6	9.9
USD per GBP	1.375	0.0	0.6
EGP per USD	15.65	-0.2	-0.3

Updated on 22/10/2021

Source: Refinitiv

International equity markets

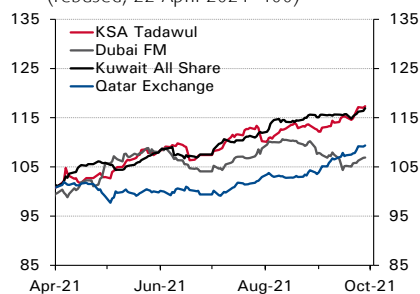
(rebased, 22 April 2021=100)



Source: Refinitiv

GCC equity markets

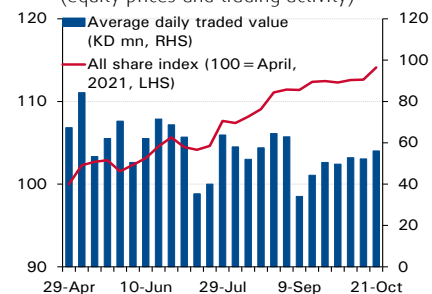
(rebased, 22 April 2021=100)



Source: Refinitiv

Bursa Kuwait

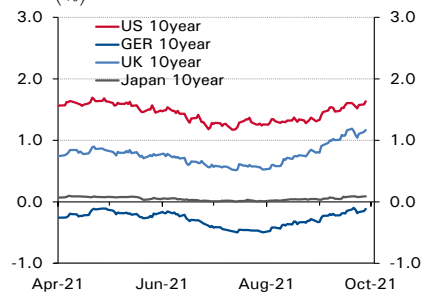
(equity prices and trading activity)



Source: Refinitiv

International bond yields

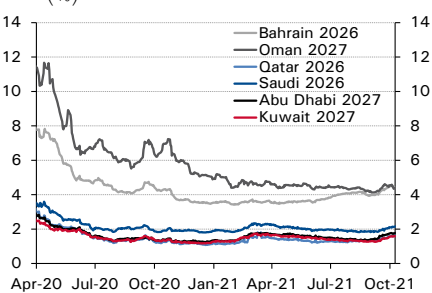
(%)



Source: Refinitiv

GCC bond yields

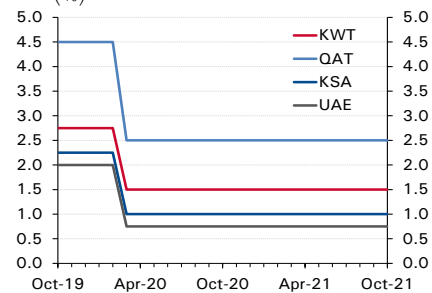
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv