

International and markets

US: In a testimony to Congress, Fed Chair Powell mentioned that the threat of persistently higher inflation has increased and that asset purchases could be wrapped up sooner than originally planned. Meanwhile, non-farm payrolls increased by a sharply lower-than-expected 210k in November, although the unemployment rate (which is derived from a different survey) dropped to 4.2% from 4.6% in October and labor participation increased to 61.8% from 61.6%, both at the best levels since the pandemic outbreak. The Conference Board's consumer confidence index continued to weaken, falling to 109.5 in November (from 111.6 in October) driven by high inflation. Finally, Congress passed a last-minute short-term funding bill that will keep the government running through February 18.

Eurozone: Consumer price inflation surged to 4.9% y/y in November (4.1% in October), well above the consensus forecast and the highest since the single currency area was formed in 1999. The rise was driven partly by rising energy prices, but core inflation also moved up to 2.6%. Meanwhile, the euro-area's unemployment rate edged lower again to 7.3% in October from 7.4% in September and down from a pandemic peak of 8.6% last year. Finally, the Eurozone PMI picked up to 55.4 in November (54.2 in October), consistent with solid growth, and after having slowed for the previous three months.

Financial markets: Global stocks were mostly down last week on the back of worries about the Omicron variant and Powell's hawkish remarks. The drop was steepest in Japan (-2.5% w/w) followed by the S&P500 (-1.2%). The MSCI GCC index fell 3% with the drop sharpest in Saudi (3.7%) and Dubai (3.1%).

Oil: Brent closed at \$69.9/bbl (-3.9% w/w, 34.9% ytd) on Friday, notching up a 6th consecutive week of declines, amid worries of shaky demand due to the spread of the Omicron variant. OPEC+ surprised markets by continuing with rather than pausing the planned 400 kb/d output hike for January. However, in an unprecedented move, the group indicated that consultations would remain "in session", meaning that it would be free to change production policy at short notice and before the next OPEC+ meeting on 4 January 2022 if necessary.

MENA Region

Kuwait: Moody's annual credit review stressed the importance of accelerating the pace of reforms to avoid further increase in liquidity risks as the redemption date for the USD bonds draws

near. A non-payment event could induce a rating downgrade by more than one notch, though that risk remains very small given the large sovereign wealth fund buffers. Consumer spending continued to grow strongly in November (+28% y/y) with online payment channels continuing to outperform (+64% y/y).

Saudi Arabia: Credit increased by 0.2% in October resulting in 15% y/y growth. While growth in mortgage lending is past its peak, it still stood at a very strong 46% y/y, accounting for half of the increase in credit over the past year. Meanwhile, consumer spending continues to be a main driver of the economic rebound, increasing by 4.8% y/y in October resulting in 11.4% growth in 10M2021.

UAE: Occupancy rates for hotels and furnished apartments surged to a six-year high of 78.8% in October on the back of high visitor arrivals given the start of the Expo 2020 Dubai. Meanwhile, the board of ADNOC approved a \$127 billion capital spending plan to expand its upstream production capacity and downstream portfolio over 2022-26. This comes with the recent announcement of a sharp increase in the reserves of oil (4bn stock tank barrels) and natural gas (+16tn standard cubic feet).

Egypt: Non-hydrocarbon exports rose by 40% y/y in 9M2021 to \$29.7 billion, while imports increased by 16% to \$61 billion. Meanwhile, the Central Bank of Egypt launched a new \$3.5 billion initiative to finance projects related to upgrading water irrigation methods covering four million acres nationwide.

Key takeaways:

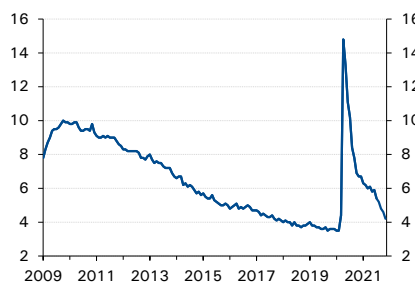
- Given Chair Powell's remarks, a decision on speeding up the pace of tapering may be announced in the Fed's December 15 meeting. A likely scenario is doubling the tapering amount to \$30 billion a month and wrapping up purchases by March 2022.
- The latest jump in Eurozone inflation will fuel worries that, like in the US, high rates will persist for longer than initially expected. The ECB meets December 16 and may soften its reluctance to early policy tightening, despite growth fears due to recent restriction measures imposed across the region.
- The OPEC+ decision to maintain ongoing consultations increases their flexibility to pause or reverse production rises at short notice over coming weeks especially if – as they have long maintained – oil demand in Q1 risks turning out weaker than market projections (including due to Omicron).

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



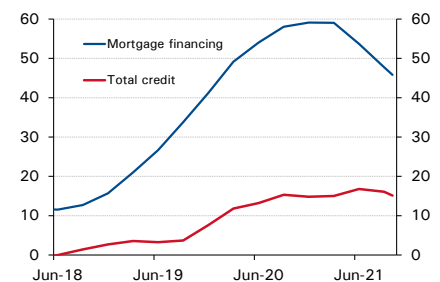
Source: Refinitiv

► **Chart 2: US unemployment** (%)



Source: Refinitiv

► **Chart 3: KSA credit growth** (% y/y)



Source: SAMA

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,901	0.8	-6.0
DAX	15,170	-0.6	10.6
DJIA	34,580	-0.9	13.0
Eurostoxx 50	4,080	-0.2	14.8
FTSE 100	7,122	1.1	10.2
Nikkei 225	28,030	-2.5	2.1
S&P 500	4,538	-1.2	20.8
Regional			
Abu Dhabi SM	8,547	1.1	69.4
Bahrain ASI	1,762	-1.0	18.2
Dubai FM	3,073	-3.1	23.3
Egypt EGX 30	11,318	-1.0	4.4
MSCI GCC	718	-3.0	31.3
Kuwait SE	6,936	-2.7	25.1
KSA Tadawul	10,883	-3.7	25.2
Muscat SM 30	3,995	-3.0	9.2
Qatar Exchange	11,603	-1.6	11.2

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.36	-12.5	44.4
Bunds 10 Year	-0.38	-4.0	19.7
Gilts 10 Year	0.75	-7.5	55.2
JGB 10 Year	0.05	-2.5	2.8
Regional			
Abu Dhabi 2027	1.72	-17.8	48.0
Oman 2027	4.51	-16.1	-74.8
Qatar 2026	1.66	-4.2	52.3
Kuwait 2027	1.66	-8.2	38.3
Saudi Arabia 2028	2.10	-3.4	31.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	69.9	-3.9	34.9
KEC	72.9	-11.3	44.0
WTI	66.3	-2.8	36.6
Gold	1782.0	-0.2	-5.9

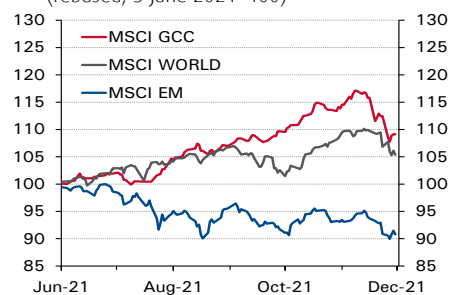
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.52	0.0	-73.3
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.16	2.1	3.9
Eibor - 3 month	0.35	-1.1	-16.4
Saibor - 3 month	0.85	0.1	2.8
Libor - 3 month	0.18	0.5	-5.8
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	0.1	-0.4
KWD per EUR	0.340	-6.3	-6.4
USD per EUR	1.131	0.0	-7.4
JPY per USD	112.8	-0.5	9.3
USD per GBP	1.323	-0.8	-3.2
EGP per USD	15.66	-0.1	-0.2

Updated on 3/12/2021

Source: Refinitiv

International equity markets

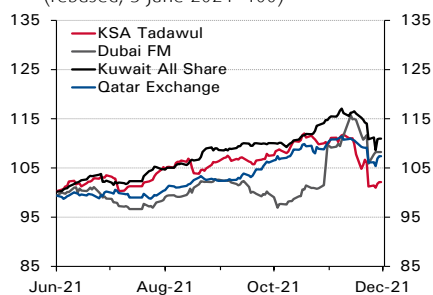
(rebased, 3 June 2021=100)



Source: Refinitiv

GCC equity markets

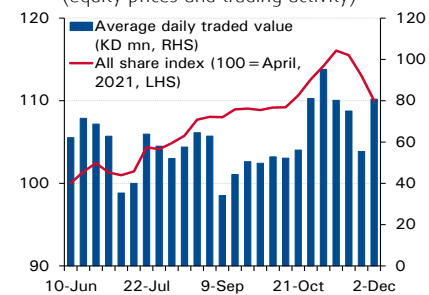
(rebased, 3 June 2021=100)



Source: Refinitiv

Boursa Kuwait

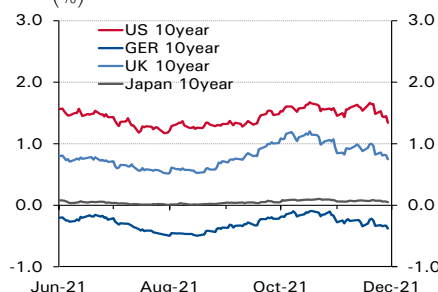
(equity prices and trading activity)



Source: Refinitiv

International bond yields

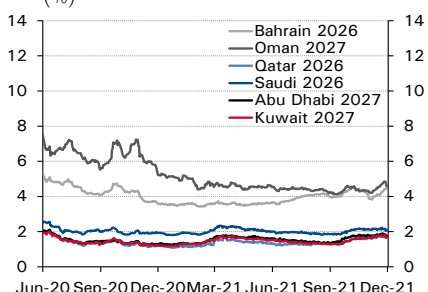
(%)



Source: Refinitiv

GCC bond yields

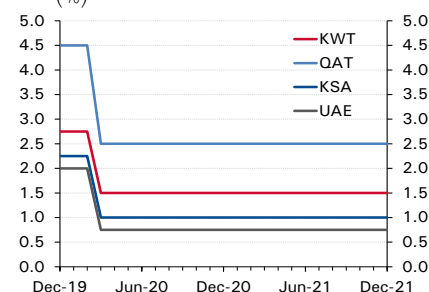
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv