

International

Global: In its latest biannual WEO report, the IMF upgraded its expectations for world GDP growth this year by 0.8% to -4.4% due to better than expected 2Q20 GDP figures in advanced countries since its June update. However it downgraded growth for 2021 by 0.2% to 5.2% on the extended impact of social distancing measures to contain the Covid-19 pandemic.

US: Retail sales jumped 1.9% m/m and by their most this year in y/y terms at 5.4%, suggesting that the loss of additional unemployment benefit has not so far dented the sector too much. The figure led some analysts to upgrade estimates for the rebound in 3Q20 GDP, now pegged at an annualized 35%. This was at odds with the consumer sentiment index, still in the doldrums at 81.2 in October. Industrial production also disappointed at -0.6% m/m (-7.3% y/y) in September, hinting at weakness in overseas demand. Finally, CPI inflation edged up to 1.4% y/y in September on a strong rise in used car prices.

UK: Moody's downgraded the UK credit rating one notch to Aa3, citing a growth outlook 'meaningfully weaker' than previously believed. The move came as PM Boris Johnson announced that businesses should prepare for 'no deal' in trade negotiations with the EU once the transition period expires at year-end, unless the EU shifts its position on key issues. Sticking points remain fisheries, state aid and deal enforcement.

Financial markets: Global equity markets were mixed as investors weighed stimulus optimism against resurging virus cases. The MSCI AC World index lost 0.1% w/w, weighed by the Euro Stoxx 50 (-0.8%), while the S&P500 gained 0.2%.

Oil: Brent edged up 0.2% w/w to \$42.9/bbl on signs of improved oil demand in China and India as well as on a large (partly Hurricane Delta-related) petroleum products stock draw in the US (-16.8 mb). Libya's oil output increased to 500 kb/d last week and, amid persistent oil demand weakness, there is pressure on OPEC+ to delay the output tapering scheduled for January. According to the IEA, oil demand will recover to 2019 levels by 2023 only if Covid-19 is brought under control next year, and after it does, it will plateau around 2030.

MENA Region

GCC: The IMF revised headline 2020 growth forecasts across the GCC region down compared to its April projections. Although sector-level details are not yet available, it likely reflects weaker

growth in both the non-oil and especially oil sectors (due to OPEC+ policy). This includes falls of -5.4% in Saudi, -6.6% in the UAE and -8.1% in Kuwait, for 2020. Growth will exhibit a mild recovery in 2021, with Saudi leading the way at 3.1%.

Kuwait: Credit growth was robust in August, at 0.5% m/m and 4.9% y/y. For the second consecutive month, growth was driven by the household sector (1.5% m/m), while business credit was steady (0.1% m/m). Private deposit growth hit a near two-year high of 5.5% y/y. Meanwhile, a bill to provide up to KD3 billion in subsidized loans to businesses with an 80% government guarantee will go to a second vote in parliament on Tuesday.

Saudi Arabia: Inflation slowed to 5.7% y/y in September from 6.2% in August on softer food inflation (+12.6%) and sharply lower education prices (-8.3%). In other news, NCB and Samba entered into a legally-binding merger agreement to create a bank with assets of \$223 billion, the third largest in the GCC.

Oman: S&P cut Oman's credit rating for a second time this year, to B+ (outlook stable), due to the impact of lower oil receipts and the Covid pandemic on the country's finances. According to state media, Oman will introduce a 5% VAT in April 2021.

Egypt: Core inflation accelerated from 0.8% y/y (-0.2% m/m) in August to 3.3% y/y (+0.1% m/m) in September, but remains low by historical standards. The IMF forecasts growth of 2.8% this fiscal year (2% before), rebounding to 5.6% by 2025.

Financial markets: GCC markets were mostly positive, with the MSCI GCC up 0.9% led by Saudi (1.7%), helped by the NCB-Samba merger agreement. Kuwait's All-Share index rose 0.2% w/w following the strong gains of the previous week.

Key takeaways:

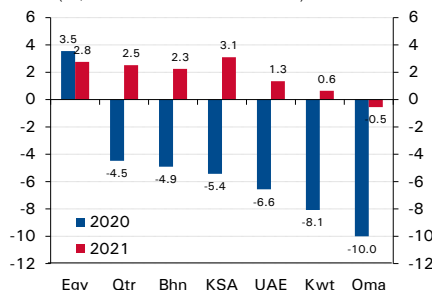
- While the IMF's latest global growth forecasts for 2020 are less weak than before, it warned that the recovery will be long, uneven and full of uncertainties, with local transmission of the virus only brought down everywhere by end-2022.
- The UK government's push for a 'no deal' Brexit could be a negotiating ploy to gain concessions from the EU over coming weeks. But it may also be calculating that year-end economic disruption will be minor compared to the fallout from Covid.
- Recently strong household credit growth in Kuwait could ease ahead as the post-lockdown rebound fades and given the expiry of the repayment deferrals from October. By contrast, business lending will get a boost from KPC's large financing agreement with local banks.

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



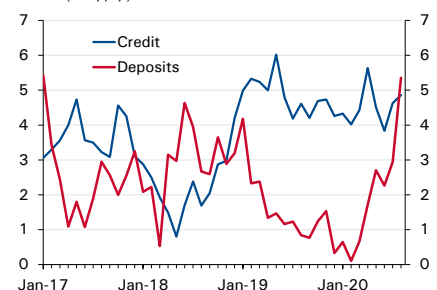
Source: Refinitiv

▶ **Chart 2: IMF GDP forecasts** (% from WEO October 2020)



Source: IMF WEO

▶ **Chart 3: Kuwait credit & deposits** (% y/y)



Source: Refinitiv

Key data

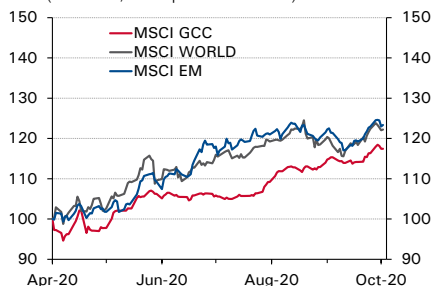
Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,792	2.4	17.0
DAX	12,909	-1.1	-2.6
DJIA	28,606	0.1	0.2
Eurostoxx 50	3,245	-0.8	-13.3
FTSE 100	5,920	-1.6	-21.5
Nikkei 225	23,411	-0.9	-1.0
S&P 500	3,484	0.2	7.8
Regional			
Abu Dhabi SM	4,554	0.9	-10.3
Bahrain ASI	1,478	1.3	-8.2
Dubai FM	2,195	-0.9	-20.6
Egypt EGX 30	11,323	0.0	-18.9
MSCI GCC	533	0.9	-6.0
Kuwait SE	5,735	0.2	-8.7
KSA Tadawul	8,554	1.7	2.0
Muscat SM 30	3,594	-0.3	-9.7
Qatar Exchange	9,999	-0.3	-4.1

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	0.74	-3.1	-116.6
Bunds 10 Year	-0.62	-8.9	-43.6
Gilts 10 Year	0.19	-9.7	-64.0
JGB 10 Year	0.02	-1.1	4.2
Regional			
Abu Dhabi 2022	0.66	-1.7	-138.1
Dubai 2022	0.00	0.0	-246.7
Qatar 2022	0.79	-5.4	-127.8
Kuwait 2022	0.72	-2.6	-134.7
KSA 2023	0.85	-1.6	-145.1
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	42.9	0.2	-35.0
KEC	41.5	-0.6	-39.2
WTI	40.9	0.7	-33.0
Gold	1900.8	-1.0	25.1

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.25	0.0	-41.7
Kibor - 3 month	1.56	0.0	-118.8
Qibor - 3 month	1.17	-3.9	-108.3
Eibor - 3 month	0.44	-1.5	-177.3
Saibor - 3 month	0.86	-0.5	-137.5
Libor - 3 month	0.22	-0.3	-169.1
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	0.0	0.9
KWD per EUR	0.360	0.5	8.1
USD per EUR	1.172	-0.9	4.5
JPY per USD	105.4	-0.2	-3.0
USD per GBP	1.291	-1.0	-2.6
EGP per USD	15.65	-0.1	-2.2

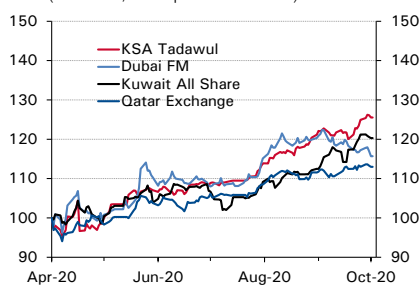
Updated on 16/10/2020 Source: Refinitiv

International equity markets (rebased, 15 April 2020=100)



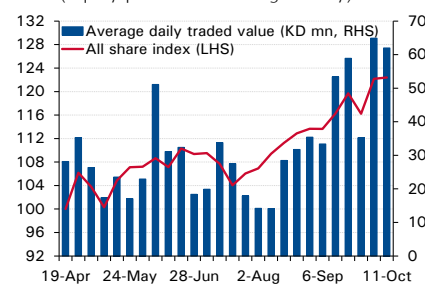
Source: Refinitiv

GCC equity markets (rebased, 15 April 2020=100)



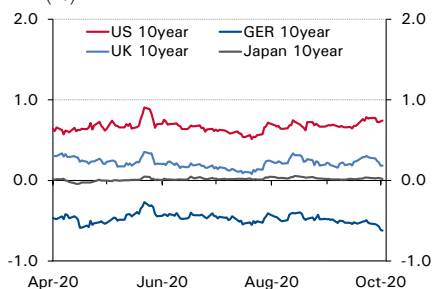
Source: Refinitiv

Bursa Kuwait (equity prices and trading activity)



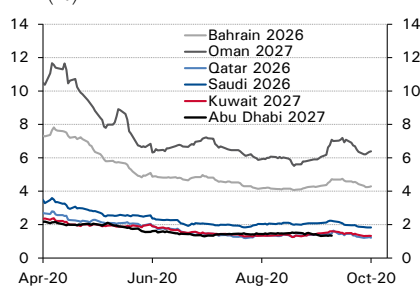
Source: Refinitiv

International bond yields (%)



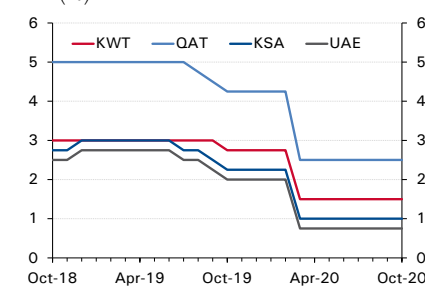
Source: Refinitiv

GCC bond yields (%)



Source: Refinitiv

GCC key policy rates (%)



Source: Refinitiv