

International and markets

US: Consumer prices rose further in August but by a slightly less-than-expected 0.3% m/m, cutting the y/y rate to 5.3% from 5.4% in July (core 4.0% from 4.3% in July). Inflation is still high, but the figures suggest that some of the supply shortages in pandemic-affected sectors such as autos and travel may be easing. Other data on the consumer sector was mixed. Retail sales in August rose a robust 0.7% m/m (core 1.8%) versus predictions of a decline, and maintaining the y/y rate at 15.1%. The rise was reportedly supported by 'back to school' spending, but also incorporates price rises. However, the UofM consumer sentiment index at 71 in September failed to bounce back meaningfully from August's plunge, with consumers gloomy about ongoing price rises and the Delta virus variant.

UK: CPI inflation jumped to a 9-year high of 3.2% y/y in August from 2.0% in July, boosted by base effects (government steps to help restaurants cut eat-out prices a year ago) but also higher food and transport costs. The Bank of England sees inflation rising to a peak of 4% late this year but falling back in 2022, and will likely leave policy on hold at its meeting this week.

China: Reflecting the dampening recovery and softer demand, both retail sales (+2.5% y/y) and industrial production (5.3%) rose at their slowest rates since August 2020. Delta variant outbreaks in the southeast led to increased travel restrictions with passenger air traffic dropping 51% y/y in August. Concerns are also intensifying over possible fallout from the debt crisis at property firm Evergrande, which could spillover to other sectors.

Financial markets: Global equities fell for the second consecutive week, with the MSCI AC World Index down 0.7% w/w, as investor caution grew amid ongoing virus concerns, Fed tapering uncertainty and the tech/Evergrande turmoil in China. Losses were led by emerging markets (MSCI EM -1.9%) while the S&P500 fell 0.6%. In contrast, the MSCI GCC rose 0.6%, extending last week's gains, led by the Kuwait All-Share (0.9%).

Oil: Brent was lower on Friday, closing at \$75.3/bbl after Russia announced an increase in oil exports in Q4 and also as the USD rallied. On a w/w basis (+3.3%), however, it was Brent's best performance since June, with support from Hurricane Ida-related supply tightness and further stock drawdowns in the US.

MENA Region

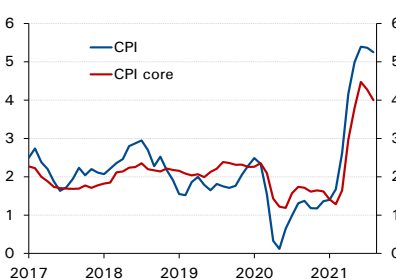
Kuwait: It has been reported that the government has adopted a 4-year (2022-2025) restructuring plan for the public sector.

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



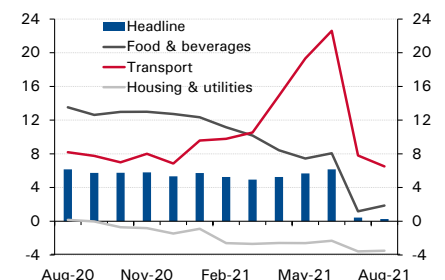
Source: Refinitiv

▶ **Chart 2: US inflation** (% y/y)



Source: Refinitiv

▶ **Chart 3: KSA inflation** (% y/y)



Source: GASTAT

The plan includes cancellation of some ministries while replacing them with independent bodies and merging others. The plan also aims at reviewing investment, foreign ownership, bankruptcy, and public-private partnership laws.

KSA: The Crown Prince launched the Human Capability Development Program, which aims to develop a strong educational base, prepare for the future labor market, and provide lifelong learning opportunities. GDP rose 1.8% y/y in Q2, higher than the 1.5% indicated previously by the official flash estimates. The oil sector dropped 6.9% y/y, while the non-oil sector expanded 8.4%. Finally, inflation softened to 0.3% y/y in August (0.4% in July), the lowest rate since late 2019.

UAE: The government has announced several initiatives within "Projects of the 50" that included increasing the contribution of the manufacturing sector by 30% in the next 5 years, achieving 10% annual increase in exports, and spending up to AED24bn on getting 75,000 Emiratis into private sector jobs.

Egypt: The central bank as expected kept monetary policy on hold for the seventh consecutive meeting in September, with the main policy rates left at 8.25-9.25%. Inflation rose in August but at 5.7% remains towards the lower end of the bank's 7% +/-2% year-end target range with the bank saying that the recent rise in inflation had been partly driven by base effects.

Key takeaways:

- While the drop in US inflation will be greeted by the Fed, it is unlikely to change the path of policy much since a) it is only one month and b) it fits in with its existing view that recent price pressures are transitory. The Fed meets this week, but a tapering announcement is expected in November.
- The Kuwaiti government's road map for restructuring the public sector including ministries is important in itself but also an attempt to breathe life into the broader reform process. If successful, these steps would help maintain control over public spending and lead to efficiency gains across the public sector.
- Non-oil output in KSA increased strongly y/y, but in line with customary seasonal patterns it dropped q/q, and by a relatively wide 8%. While indeed the momentum has slowed, we still see non-oil growth at around 3.5% to 4% for the full year.
- With Egypt's economic growth set to bounce back to around 5% this year and inflation (still low) starting to edge higher, the central bank is in no hurry to cut interest rates. A cut is still possible in Q4, but the bank will be mindful of the need to avoid triggering capital outflows especially as the Fed starts to taper.

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,856	-3.1	-6.8
DAX	15,490	-0.8	12.9
DJIA	34,585	-0.1	13.0
Eurostoxx 50	4,131	-0.9	16.3
FTSE 100	6,964	-0.9	7.8
Nikkei 225	30,500	0.4	11.1
S&P 500	4,433	-0.6	18.0
Regional			
Abu Dhabi SM	7,883	0.3	56.2
Bahrain ASI	1,679	0.6	12.7
Dubai FM	2,901	-0.2	16.4
Egypt EGX 30	10,997	-0.5	1.4
MSCI GCC	717	0.6	31.1
Kuwait SE	6,870	0.9	23.9
KSA Tadawul	11,422	0.0	31.4
Muscat SM 30	3,935	-0.6	7.5
Qatar Exchange	11,181	0.7	7.1

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.36	2.1	45.1
Bunds 10 Year	-0.28	5.3	29.6
Gilts 10 Year	0.85	8.9	65.2
JGB 10 Year	0.05	0.5	2.4
Regional			
Abu Dhabi 2022	0.36	-4.9	-14.4
Dubai 2022	0.27	0.0	7.4
Qatar 2022	0.32	8.9	-19.7
Kuwait 2022	0.48	15.1	1.7
KSA 2023	0.62	-2.9	-9.3
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	75.3	3.3	45.4
KEC	75.6	3.5	49.3
WTI	72.0	3.2	48.3
Gold	1749.4	-2.2	-7.6

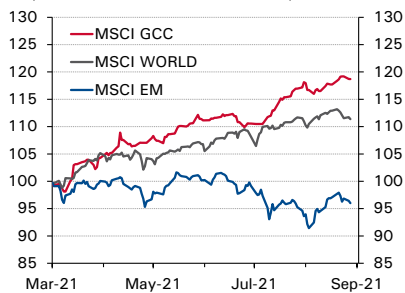
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.56	0.0	-69.2
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.14	-0.5	2.4
Eibor - 3 month	0.37	-3.4	-14.5
Saibor - 3 month	0.80	0.0	-2.0
Libor - 3 month	0.12	0.8	-11.6
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.301	0.2	-1.0
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.173	-0.8	-4.0
JPY per USD	110.0	0.0	6.5
USD per GBP	1.374	-0.7	0.5
EGP per USD	15.67	0.1	-0.1

Updated on 17/9/2021

Source: Refinitiv

International equity markets

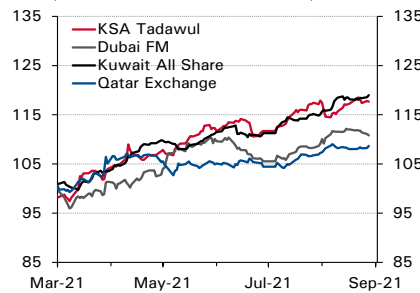
(rebased, 18 March 2021=100)



Source: Refinitiv

GCC equity markets

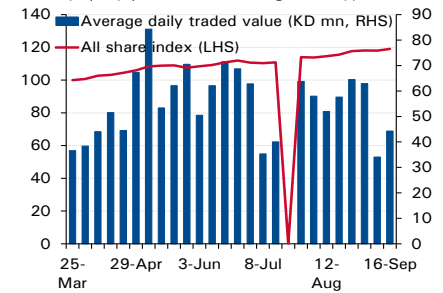
(rebased, 18 March 2021=100)



Source: Refinitiv

Bursa Kuwait

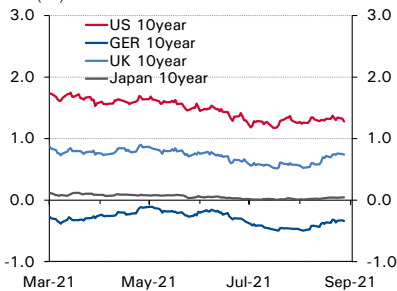
(equity prices and trading activity)



Source: Refinitiv

International bond yields

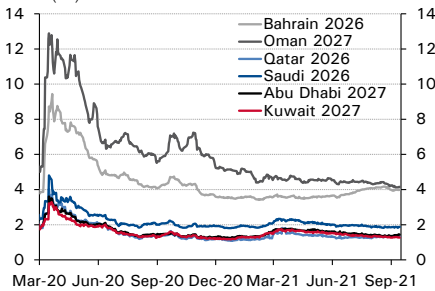
(%)



Source: Refinitiv

GCC bond yields

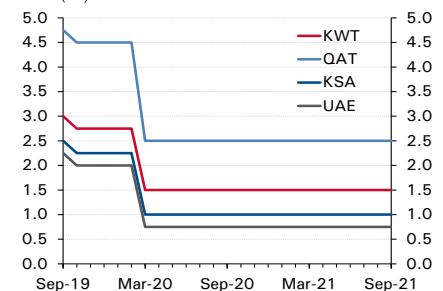
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv