

International and markets

US: The Fed left policy rates unchanged at its September meeting, but Chairman Powell hinted that an asset tapering timeline will be announced in the upcoming November meeting and will likely be concluded in mid-2022. The closely watched dot-plot indicated that FOMC members are now evenly split about hiking rates in 2022, while three hikes are expected in 2023, compared with no hikes in 2022 and two hikes in 2023 in the June dot-plot. Mainly reflecting the effects of the Delta variant and supply constraints, GDP growth forecasts were dropped from 7% to 5.9% in 2021 and the unemployment rate was increased from 4.5% to 4.8%. PCE inflation for 2021 was upped from 3.4% to 4.2%, though is forecast to fall to 2.2% in 2022, slightly ahead of the Fed's long-term target.

UK: The Bank of England, as expected, left policy on hold, though the margin of support for maintaining its pandemic-era asset purchase plan narrowed to 7-2 from 7-1 in August. The bank expects inflation to reach 4%+ by year-end and if unemployment does not rise over coming months as the government furlough program ends a small hike in interest rates is possible early next year or sooner.

China: The People's Bank of China (PBoC) kept interest rates steady for the 17th month in a row. Meanwhile, China's second-largest property firm, Evergrande, faces default risks as it buckles under \$300 billion in liabilities. The PBoC has injected net liquidity of \$17 billion to ease investors' worry, but a bailout seems unlikely should the firm fail to meet its obligations. Rating agency Fitch cut its China growth forecast to 8.1% from 8.4%, reflecting the ongoing property market slowdown.

Financial markets: Global equities were mixed last week, falling in Japan and China but advancing in Europe and the US. The S&P 500 dropped early in the week on fears from Evergrande contagion risks but bounced back to gain 0.5% w/w. The US 10-year yield closed at 1.45%, up by 9 bps w/w. GCC markets were weaker, with the MSCI GCC index down 1% w/w, driven by the KSA and the UAE, while Kuwait was broadly flat.

Oil: Brent closed up 3.7% w/w at \$78.1, its third weekly gain in a row and settling at a near 3-year high as supply disruptions and falling global crude inventories intensify market tightness. The global oil supply-demand imbalance could be further exacerbated in coming months by the surge in natural gas

prices, which posted all-time highs during the past week, and which could encourage use of crude oil products for power.

MENA Region

Kuwait: The cabinet is reportedly looking to lift government non-oil revenues by KD0.9bn (>50%) by 2025 by re-pricing its service fees, rents and enhancing revenue collection. It also asked ministries to reduce spending to help support dwindling liquidity in the General Reserve Fund. Meanwhile, Kuwait Investment Authority will establish a holding company for public companies and strategic ownerships of listed and unlisted firms falling under its umbrella. These companies could also undergo a restructuring program to increase their efficiency.

UAE: The central bank projects economic growth of 2.1% this year and 4.2% in 2022. Meanwhile, Dubai announced a AED65 bn (\$18 bn) increase in a housing program for UAE citizens over the next 2 decades, while increasing beneficiaries by 400%. Meanwhile, UAE exports to Saudi Arabia fell by 33% m/m in July after the latter amended its import rules from GCC countries to exclude free zones from preferential tariff concessions.

Egypt: The government raised \$3 billion in its second issuance of dollar-denominated bonds this year. The multi-tranche issuance was three-times oversubscribed and included 6-year and 12-year bonds at \$1.125 billion each, with yields of 5.8% and 7.3%, and a 30-year bond worth \$0.8 billion at 8.75%.

Key takeaways:

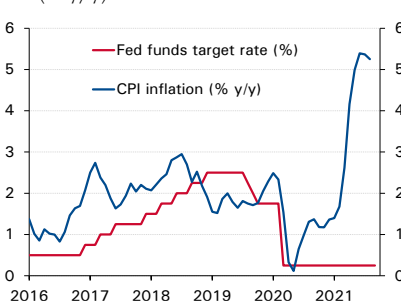
- Fed chairman Powell indicated a likely timeline for asset tapering, which would point to \$15-20bn lower purchases per month over 6 to 8 months. While he continues to stress that there is no automatic link between the end of tapering and rate lift-off, trends in the dot-plot continued to indicate that rate hikes will likely come sooner than previously expected.
- The Evergrande crisis in China continues to present a worry to global financial markets, given the property market slowdown and scale of the firm's liabilities. While China's growth will be affected, the government is likely to move to stem any major or systemic fallout from the financial system.
- Reported measures by Kuwait's government to boost non-oil revenues – currently just 10% of total receipts – would be an important step in the reform process. Still, this would take time to implement and do little to resolve short-term liquidity shortages, which require the passing of the debt law or making limited withdrawals from the Future Generations Fund.

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



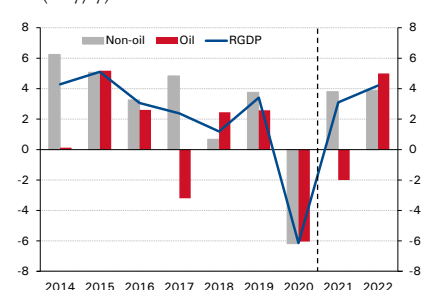
Source: Refinitiv

► **Chart 2: Fed target and inflation** (% y/y)



Source: Refinitiv

► **Chart 3: The UAE GDP** (% y/y)



Source: Central bank of UAE

Key data

| Stock markets | Index | Change (%) | |
|----------------------|--------|------------|------|
| | | 1-week | YTD |
| International | | | |
| CSI 300 | 4,849 | -0.1 | -6.9 |
| DAX | 15,532 | 0.3 | 13.2 |
| DJIA | 34,798 | 0.6 | 13.7 |
| Eurostoxx 50 | 4,159 | 0.7 | 17.1 |
| FTSE 100 | 7,051 | 1.3 | 9.1 |
| Nikkei 225 | 30,249 | -0.8 | 10.2 |
| S&P 500 | 4,455 | 0.5 | 18.6 |
| Regional | | | |
| Abu Dhabi SM | 7,825 | -0.7 | 55.1 |
| Bahrain ASI | 1,702 | 1.4 | 14.3 |
| Dubai FM | 2,840 | -2.1 | 13.9 |
| Egypt EGX 30 | 10,642 | -3.2 | -1.9 |
| MSCI GCC | 709 | -1.0 | 29.7 |
| Kuwait SE | 6,876 | 0.1 | 24.0 |
| KSA Tadawul | 11,271 | -1.3 | 29.7 |
| Muscat SM 30 | 3,927 | -0.2 | 7.3 |
| Qatar Exchange | 11,241 | 0.5 | 7.7 |

| Bond yields | % | Change (bps) | |
|----------------------|---------|--------------|-------|
| | | 1-week | YTD |
| International | | | |
| UST 10 Year | 1.45 | 8.9 | 54.1 |
| Bunds 10 Year | -0.23 | 5.1 | 34.7 |
| Gilts 10 Year | 0.92 | 7.4 | 72.6 |
| JGB 10 Year | 0.05 | 0.5 | 2.9 |
| Regional | | | |
| Abu Dhabi 2022 | 0.45 | 8.8 | -5.6 |
| Dubai 2022 | 0.27 | 0.0 | 7.4 |
| Qatar 2022 | 0.29 | -3.8 | -23.5 |
| Kuwait 2022 | 0.40 | -8.3 | -6.6 |
| KSA 2023 | 0.59 | -3.0 | -12.3 |
| Commodities | | | |
| Commodities | \$/unit | Change (%) | |
| | | 1-week | YTD |
| Brent crude | 78.1 | 3.7 | 50.8 |
| KEC | 77.2 | 2.2 | 52.4 |
| WTI | 74.0 | 2.8 | 52.5 |
| Gold | 1749.7 | 0.0 | -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 | 1.13 | -1.7 | 0.8 |
| Eibor - 3 month | 0.45 | 8.6 | -6.0 |
| Saibor - 3 month | 0.81 | 1.0 | -1.0 |
| Libor - 3 month | 0.13 | 1.0 | -10.6 |

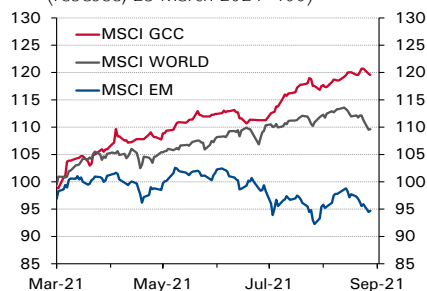
| Exchange rates | rate | Change (%) | |
|----------------|-------|------------|------|
| | | 1-week | YTD |
| KWD per USD | 0.301 | 0.0 | -1.0 |
| KWD per EUR | 0.363 | 0.0 | -0.1 |
| USD per EUR | 1.171 | -0.1 | -4.1 |
| JPY per USD | 110.7 | 0.7 | 7.2 |
| USD per GBP | 1.368 | -0.4 | 0.1 |
| EGP per USD | 15.65 | -0.1 | -0.3 |

Updated on 24/9/2021

Source: Refinitiv

International equity markets

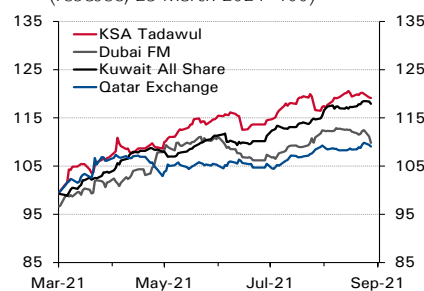
(rebased, 25 March 2021=100)



Source: Refinitiv

GCC equity markets

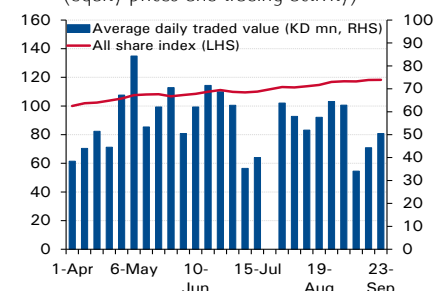
(rebased, 25 March 2021=100)



Source: Refinitiv

Bursa Kuwait

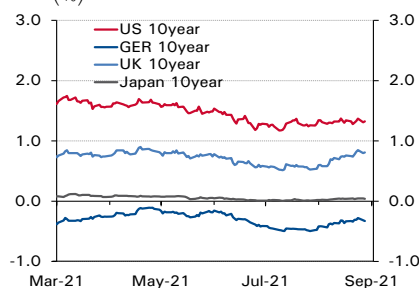
(equity prices and trading activity)



Source: Refinitiv

International bond yields

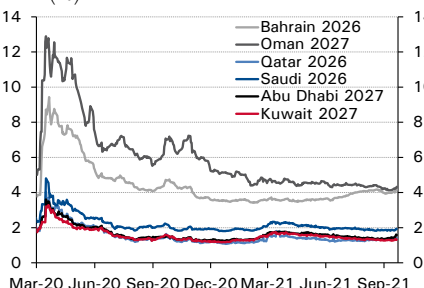
(%)



Source: Refinitiv

GCC bond yields

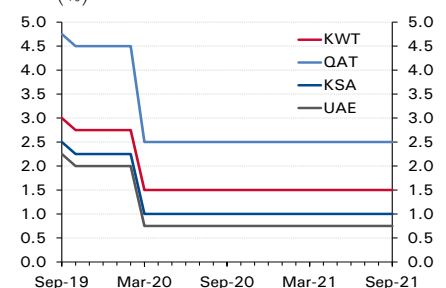
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv