

## International and markets

**US:** The Fed's preferred inflation measure, the core PCE, accelerated to 4.1% y/y (+0.4% m/m) in October (from 3.7% y/y in Sept), which was in line with consensus expectations. The headline rate edged up to 5% y/y from 4.4% the month before. Meanwhile, the second-estimate of 3Q2021 GDP growth stood at 2.1% q/q (annualized), slightly ahead of the 2% original estimate and in line with expectations. Minutes of the Fed's meeting on 2-3 November showed that "some participants" preferred a faster pace of tapering than the current \$15 billion per month. Finally, in a sign of the continued improvement in the labor market, weekly jobless claims fell sharply to 199k, the lowest level in decades, from 270k in the previous week.

**China:** China's central bank may shift its stance to one of monetary easing to revive sluggish economic growth, possibly cutting rates, lowering funding costs for corporates and offering aid to smaller firms. Meanwhile, with the Yuan strengthening against a basket of currencies, the China Foreign Exchange Committee urged banks to cap speculation.

**Financial markets:** Global stocks plunged last Friday on the back of worries about the spread of a new, potentially more infectious Covid-19 variant (Omicron). All markets closed in the red, led by Europe (-6.1% w/w). Bond yields also plummeted, with the 10-year US Treasury down around 16 bps on Friday. With GCC markets closed on Friday, their decline was less acute. Kuwait dropped 2.1% w/w.

**Oil:** Fears that the new Covid strain could lead to a return to lockdowns and weaker oil consumption sent Brent plummeting more than 11% on Friday to \$72.7/bbl (-7.8% w/w; +40.4% ytd). This is Brent's 7<sup>th</sup> worst daily decline and brings the marker down to early September levels.

## MENA Region

**Kuwait:** Sheikh Sabah Al-Khaled has been reappointed as PM and asked to head a government composed of six new and possibly nine re-appointed ministers. Meanwhile, CPI data for July showed inflation easing slightly to 3.2% y/y (+0.2% m/m) from 3.4% in June. Price gains in the food, clothing and furnishings categories were the main inflationary impulses. Core inflation (excl. food and housing) was up 2.9% y/y. The government's fiscal deficit over the first seven months of FY21/22 (to end-Oct) reached KD1.2 billion (-68% from KD3.9bn over 7M FY20/21). The improvement is largely on the

back of increased oil revenues, KD8.5bn (+85.7% y/y). Total expenditures came in at KD10.8bn (+18% y/y), up on last year partly due to delays in recording financial transactions. Capex remained well below (28%) its pro-rated budget allocation.

**Saudi Arabia:** Non-oil exports hit a record-monthly high of SAR25.3 billion (\$6.7bn) in September, with the cumulative 9-month 2021 outcome increasing by 34% y/y (vs. -14% y/y in 9M2020). Imports have increased by a much softer 12% y/y in 9M2021 (vs. -11% y/y in 9M2020).

**UAE:** Commercial licenses issued in Dubai jumped by 69% y/y during the first 10 months of 2021, underscoring the rise in investor confidence in the emirate's growth opportunities. Dubai is also looking to extend the license fee waiver granted earlier to Emirati entrepreneurs to seven years from the current five.

**Oman:** A forthcoming national hydrogen strategy calls for the creation of a hydrogen-centric economy by 2040, with an annual production capacity of 30GW of green and blue hydrogen.

**Egypt:** Thanks to the economic reforms that have enhanced its resilience, Egypt's economy could grow by 5.6% in FY21/22, Egypt's Minister of Planning said. Meanwhile, the World Bank and the Asian Infrastructure Investment Bank (AIIB) have each agreed to provide \$360 million (\$720 million in total) for the Development Policy Financing (DPF) Framework to help support a second wave of structural reforms.

### Key takeaways:

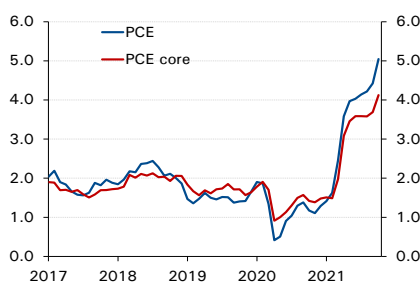
- The debate over the pace of tapering of asset purchases in light of sharply higher inflation will likely continue to dominate the US Fed's thinking over the coming months. However, the potential spread of the possibly more virulent Omicron strain and its impact on economic activity could lead the Fed to maintain its dovish policy for a little while longer.
- Oil's sharp decline on Friday is validating Saudi Prince Abdulaziz's consistently-maintained view that oil demand is uncertain and fragile while Covid-19 variants persist. OPEC+, which had been weighing up a response to countries' SPR crude releases, may decide to pause monthly output increases when it meets this Thursday.
- Kuwait's public finances have improved significantly during the 7 months of this fiscal year thanks largely to the increase in oil prices and some spending restraint. While expenditures are almost certainly going to catch up to close to budgeted levels by year-end, the fiscal deficit is, nevertheless, likely to come in well below earlier estimates of 10.5% of GDP.

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



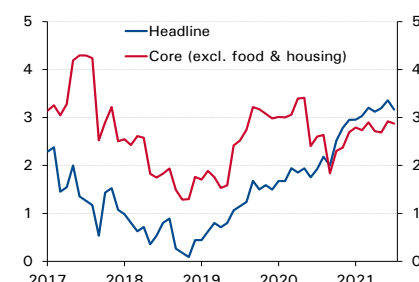
Source: Refinitiv

► **Chart 2: US PCE inflation**  
(%, y/y)



Source: Refinitiv

► **Chart 3: Kuwait inflation**  
(% y/y)



Source: CSB

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,860	-0.6	-6.7
DAX	15,257	-5.6	11.2
DJIA	34,899	-2.0	14.0
Eurostoxx 50	4,090	-6.1	15.1
FTSE 100	7,044	-2.5	9.0
Nikkei 225	28,752	-3.3	4.8
S&P 500	4,595	-2.2	22.3
<b>Regional</b>			
Abu Dhabi SM	8,454	1.3	67.6
Bahrain ASI	1,779	-0.7	19.4
Dubai FM	3,170	-2.9	27.2
Egypt EGX 30	11,431	0.8	5.4
MSCI GCC	740	-2.9	35.3
Kuwait SE	7,128	-2.1	28.5
KSA Tadawul	11,299	-3.5	30.0
Muscat SM 30	4,118	1.3	12.6
Qatar Exchange	11,791	-1.3	13.0

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.48	-6.6	57.0
Bunds 10 Year	-0.34	0.3	23.7
Gilts 10 Year	0.82	-5.7	62.7
JGB 10 Year	0.07	-0.1	5.3
<b>Regional</b>			
Abu Dhabi 2027	1.90	8.8	48.0
Oman 2027	4.67	18.2	-74.8
Qatar 2026	1.70	-2.6	52.3
Kuwait 2027	1.74	-3.6	38.3
Saudi Arabia 2028	2.13	1.4	31.6
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	72.7	-7.8	40.4
KEC	77.8	-5.4	53.6
WTI	68.2	-10.4	40.5
Gold	1785.3	-3.6	-5.7

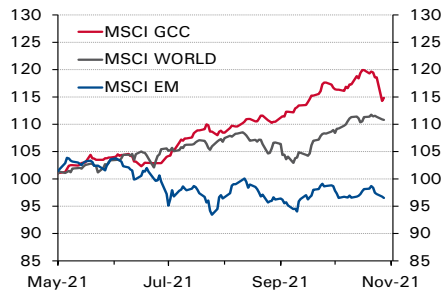
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	1.52	0.0	-73.3
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.14	-1.9	1.8
Eibor - 3 month	0.36	-0.9	-15.3
Saibor - 3 month	0.84	0.6	2.7
Libor - 3 month	0.18	1.6	-6.3
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.302	0.0	-0.5
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.132	0.3	-7.3
JPY per USD	113.3	-0.6	9.8
USD per GBP	1.334	-0.8	-2.4
EGP per USD	15.68	0.2	-0.1

Updated on 26/11/2021

Source: Refinitiv

### International equity markets

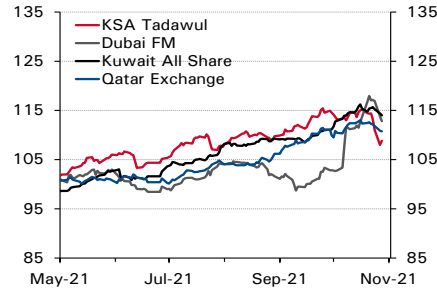
(rebased, 27 May 2021=100)



Source: Refinitiv

### GCC equity markets

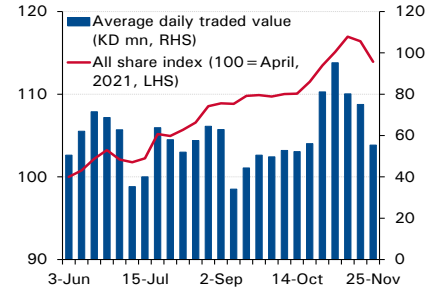
(rebased, 27 May 2021=100)



Source: Refinitiv

### Bursa Kuwait

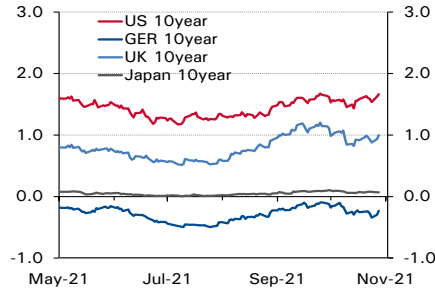
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

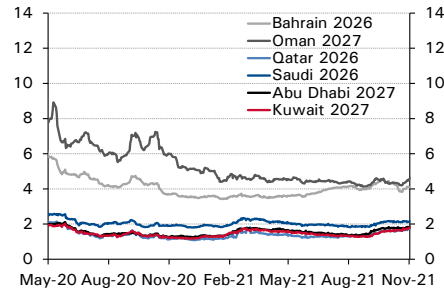
(%)



Source: Refinitiv

### GCC bond yields

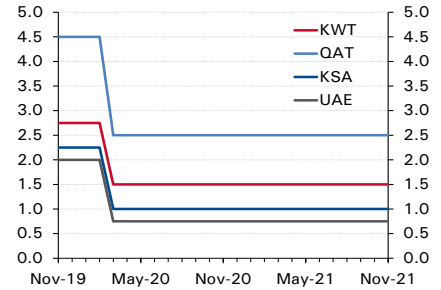
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv