

International and markets

US: Congress struck a last-minute deal to fund the government until 3 December, thereby averting a shutdown. Treasury Secretary Yellen warned that the debt ceiling will likely be hit on 18 October and would need to be lifted in time or it would be detrimental for the economy. A new deadline of 31 October was set for the House to pass the Senate-approved \$1.2 trillion infrastructure bill after last week's scheduled vote was called off due to disagreements among Democrats. Meanwhile, inflation in August came in at 3.6% (core PCE) and 4.3% y/y (headline), still elevated but broadly in line with expectations. Finally, the ISM manufacturing index posted a robust, consensus-beating gain to 61.1 in September (59.9 in August).

Europe: Preliminary HICP Eurozone headline and core inflation jumped to 13-year highs of 3.4% y/y and 1.9%, respectively in September (from 3.0% and 1.6%, respectively in August), driven by supply chain bottlenecks and rising energy costs. This included a rise in German inflation to a 29-year high of 4.1%. Meanwhile, following last weekend's tight elections, a deal to form a coalition government in Germany may take months, and could yield a slight move to the left in policy, including on climate measures and public investment.

China: Industrial activity (PMI) fell in August (49.6), for the first time since early 2020. Electricity shortages were a major contributory factor caused by surging post-pandemic demand and energy price caps (e.g. on coal) among others. Services activity, though, beat expectations (53.2).

Japan: Former foreign minister Fumio Kishida will be named Japan's new prime minister, after winning the race to succeed Yoshihide Suga as leader of the ruling Liberal Democratic Party.

Financial markets: Global stock markets were broadly negative, amid concerns of slower global growth, higher inflation, Chinese regulatory risks and fears of a US government shutdown. The MSCI AC world lost 2.3% w/w (S&P 500 and Euro Stoxx dropped 2.2% and 3.0%, respectively). In contrast, the MSCI GCC gained 1.7% w/w, led by Saudi Arabia (2.0%) and Qatar (2.2%). Kuwait's All-Share was little changed (-0.2%).

Oil: Brent rose on Friday to \$79.3/bbl (+1.5% w/w; +53.1% ytd), amid a visibly tighter market and ahead of the OPEC+ meeting tomorrow. China instructed its energy companies to stock up on winter fuel supplies whatever the cost.

MENA Region

Kuwait: Real estate sales in August surged to KD 411 million (+17% m/m; +63% y/y), the highest level since December 2018, on an increase in residential sector demand. Meanwhile, the Emir last week called for a national dialogue between the government and parliament in a bid to lessen tensions and resolve legislative impasse. The government launched an initiative to employ 100,000 Kuwaitis in the private sector over the next 4 years. The creation of a new development bank to facilitate speedier development financing has also been mooted.

Saudi: S&P affirmed Saudi's sovereign rating at A- (stable outlook). FDI in the kingdom soared to \$13.8bn in 2Q21, nearly matching total flows in 2018-2020. The Saudi unemployment rate in 2Q21 fell to 11.3% (11.7% in 1Q21). The 2022 pre-budget statement sees a decline in the fiscal deficit to 1.6% in 2022 from 2.7% (est.) in 2021. GDP is seen growing by 2.6% (+4.2% non-oil) and 7.5% in 2021 and 2022, respectively.

Qatar: Qatar held its first Shura (advisory) Council elections on Saturday, with a reportedly large turnout. The voters elected 30 (from 229 candidates) out of 45 council members, with the remaining 15 to be appointed by Emiri decree.

Bahrain: The Cabinet approved a draft law that increases the rate of VAT from the current 5% to 10% effective January 2022. The rise could yield 1.8% (est.) of GDP in annual revenues.

Oman: The government could be on track for its first sovereign credit rating upgrade since 2007, after S&P revised the Sultanate's outlook to 'positive' (from 'stable') amid rising oil prices and progress on its ambitious fiscal reform agenda.

Key takeaways:

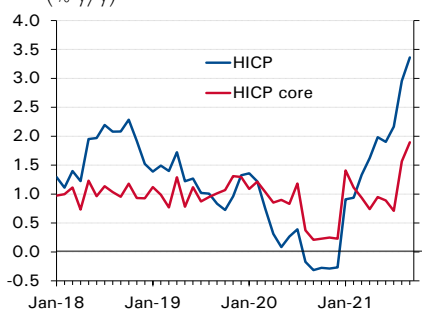
- Disagreement among US Democrats is delaying the unlocking of sizeable fiscal stimulus and increasing the likelihood that the total size of the infrastructure and budget bills will fall short of what was originally envisaged. This could pressure the already slowing economic recovery further, especially with Fed tapering likely before year-end.
- In Kuwait, a flurry of draft policy initiatives and proposals in recent weeks shows that the government is serious about fiscal and economic reform. It remains to be seen, though, whether the national dialogue will yield compromise and progress.
- Upside risk to oil prices has increased. Already tight oil market dynamics have been exacerbated by the ongoing gas crunch. Prices could rise further if OPEC+ opts on Monday not to raise supplies by more than the planned 400 kb/d.

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



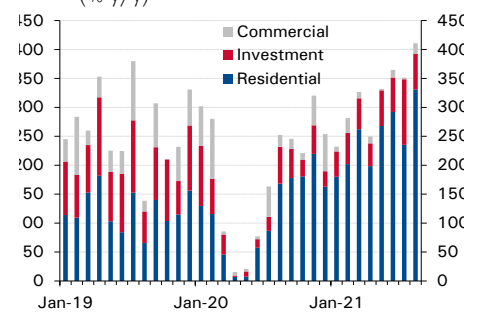
Source: Refinitiv

▶ **Chart 2: Eurozone inflation** (% y/y)



Source: Refinitiv

▶ **Chart 3: Kuwait real estate sales** (% y/y)



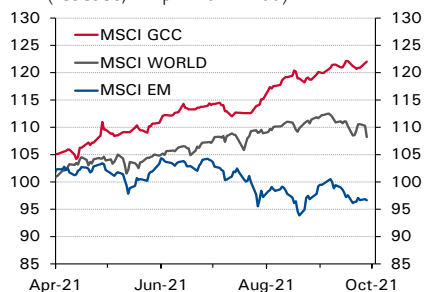
Source: Kuwait Ministry of Justice

Key data

Stock markets	Index	Change (%)		Bond yields	%	Change (bps)		Interbank rates	%	Change (bps)					
		1-week	YTD			1-week	YTD			1-week	YTD				
International															
CSI 300	4,866	0.3	-6.6	UST 10 Year	1.47	1.2	55.3	Bhibor - 3 month	1.55	-0.8	-70.0				
DAX	15,156	-2.4	10.5	Bunds 10 Year	-0.22	0.9	35.6	Kibor - 3 month	1.50	0.0	6.3				
DJIA	34,326	-1.4	12.2	Gilts 10 Year	1.00	8.2	80.8	Qibor - 3 month	1.15	2.2	2.9				
Eurostoxx 50	4,035	-3.0	13.6	JGB 10 Year	0.05	0.0	2.9	Eibor - 3 month	0.32	-12.9	-18.8				
FTSE 100	7,027	-0.3	8.8	Regional											
Nikkei 225	28,771	-4.9	4.8	Abu Dhabi 2022	0.40	-5.0	-10.6	Dubai 2022	0.27	0.0	7.4				
S&P 500	4,357	-2.2	16.0	Qatar 2022	0.51	22.8	-0.7	Kuwait 2022	0.56	16.3	9.7				
Regional															
Abu Dhabi SM	7,699	-1.6	52.6	KSA 2023	0.74	14.5	2.2	Exchange rates							
Bahrain ASI	1,706	0.2	14.5	rate Change (%)											
Dubai FM	2,845	0.2	14.2	1-week YTD											
Egypt EGX 30	10,517	-1.2	-3.0	KWD per USD 0.301 0.1 -0.9											
MSCI GCC	721	1.7	31.9	KWD per EUR 0.363 0.0 -0.1											
Kuwait SE	6,865	-0.2	23.8	USD per EUR 1.159 -1.0 -5.1											
KSA Tadawul	11,496	2.0	32.3	JPY per USD 111.1 0.3 7.6											
Muscat SM 30	3,943	0.4	7.8	USD per GBP 1.355 -1.0 -0.9											
Qatar Exchange	11,485	2.2	10.1	EGP per USD 15.69 0.3 0.0											
Commodities															
\$/unit Change (%)															
1-week YTD															
Brent crude	79.3	1.5	53.1	Updated on 1/10/2021											
KEC	76.8	0.4	51.7	Source: Refinitiv											
WTI	75.9	2.6	56.4												
Gold	1757.0	0.4	-7.2												

International equity markets

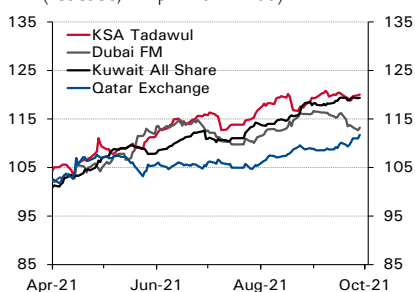
(rebased, 1 April 2021=100)



Source: Refinitiv

GCC equity markets

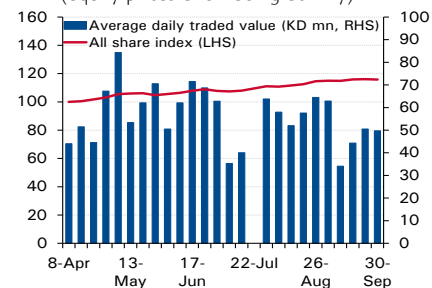
(rebased, 1 April 2021=100)



Source: Refinitiv

Boursa Kuwait

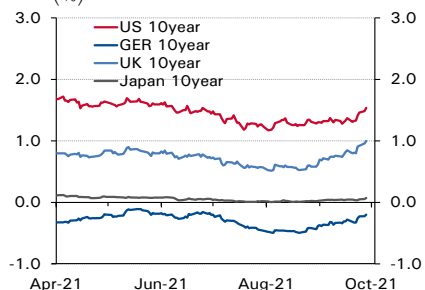
(equity prices and trading activity)



Source: Refinitiv

International bond yields

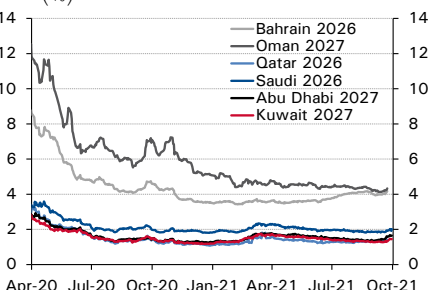
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Source: Refinitiv

GCC bond yields

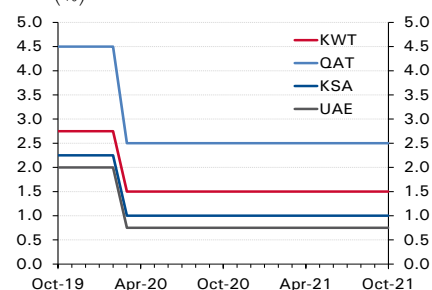
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv