

International

US: Initial jobless claims eased further to 787,000 in the w/e October 17, below the consensus and from 842,000 a week earlier. Continuing jobless claims – produced with a one-week lag – also fell by a sharp 1.0 million, pushing the insured unemployment rate down to a post-pandemic low of 5.7% (versus a peak of 17.1% in May). Meanwhile, existing home sales surged to 6.54 million (+21% y/y) in September, their highest since the middle of the subprime boom in 2006. The housing recovery has been boosted by rock-bottom mortgage rates as well as demand to fit new working from home patterns. Tight supply is also pushing prices higher, up 15% y/y.

China: GDP grew 4.9% y/y in 3Q20, up from 3.2% in 2Q20, confirming a post-Covid recovery the most robust among large economies, underscoring the IMF's projection (+5.2% in 2020) that the Chinese economy would likely be the only major one to grow in 2020. Retail, industrial and real estate activity were all up, as were exports, China's traditional growth driver. In the meantime, China will adopt a more flexible exchange rate policy and steady liberalization of the capital account.

Financial markets: Global markets were mostly negative on uncertainty over passing a US stimulus deal. The S&P500 shed 0.5% w/w, while the Euro Stoxx 50 lost a steeper 1.4% w/w, affected also by renewed virus restrictions in Europe.

Oil: Brent fell 2.7% w/w to \$41.8/bbl on a combination of renewed over-supply fears prompted by a potential surge of +1 mb/d of Libyan oil onto the market and disappointment over the stalling of the US coronavirus stimulus bill talks.

MENA Region

GCC: In its latest regional report, the IMF revised down its projections for non-oil GDP growth in the GCC in 2020 to -5.7% from -4.3% in April, and also forecast a slightly shallower recovery of 2.9% in 2021 (3.2% before). Non-oil growth in Kuwait is seen at -7.0% in 2020 and +3.0% in 2021. The former is more pessimistic than our own forecast of -4.0% this year.

Kuwait: Real estate sales totaled KD246 million in September, down 2.6% m/m and 20% y/y, though not far from the 2019 monthly average (KD266 million), while transactions totaled 658 (-16% m/m, 18% y/y). Market activity has gradually improved from April/May lows, likely helped by pent-up demand after several months of virus-related business restrictions.

Meanwhile, parliament approved a demographics law to reduce the number of expatriates in the country, with a firm plan expected to be put forward by the government within one year.

UAE: Inflation in Dubai stood at -3.4% y/y in September versus -3.7% in August. The fall in housing rents sharpened to -6.1% (-5.4% in August) while transportation fell by 7.6%. Meanwhile, the UAE government announced the implementation of 33 post-Covid recovery measures across three phases, including immediate support for businesses. Dubai also announced a further AED0.5 billion stimulus package including rent cuts and fee exemptions taking total support this year to AED6.8 billion.

Oman: The government issued a two-part 7-year (7%) and 12-year (7.625%) bond – its first international issue this year. The sale raised \$2 billion from orders of \$3.8 billion, though conditions are challenging amid concerns over the credit rating and broader market uncertainty prior to the US elections.

Egypt: The World Bank expects Egypt's economy to grow 3.5% in 2020/21, and by 5.8% by 2022/23. Meanwhile, according to the Egyptian Center for Economic Studies, the unemployment rate could reach 13.4% at year-end (from 9.6% in June), assuming that 1 million expats (14% of all Egyptians working abroad) return from GCC countries amid virus fallout.

Financial markets: GCC markets were broadly negative on downbeat global oil demand forecasts amid a highly uncertain coronavirus and economic recovery path. The MSCI GCC lost 0.7% led by Bahrain (2.1%) and Kuwait (2%).

Key takeaways:

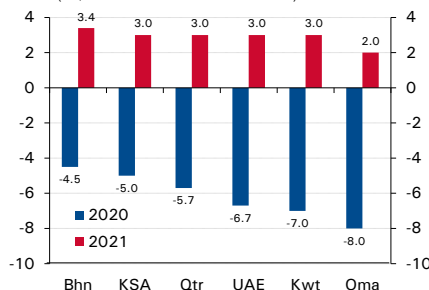
- The latest improvement in the US labor market is crucial to economic recovery, but the data may be affected by reliability and classification issues linked to government support programs. Record new virus cases and failure to agree a stimulus bill are risks to the US outlook.
- The IMF warned against premature withdrawal of fiscal policy support across the GCC region until the economy is on a sounder footing, but also called for countries to implement strong medium-term rules and frameworks to mitigate fiscal risks. This is in line with our views and would be the ideal policy mix for Kuwait.
- Kuwait's real estate activity is now back close to pre-virus levels, helped by pent-up demand in the residential sector. Though if this fades, overall activity could fall back as conditions in the commercial and investment sectors remain weaker.

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



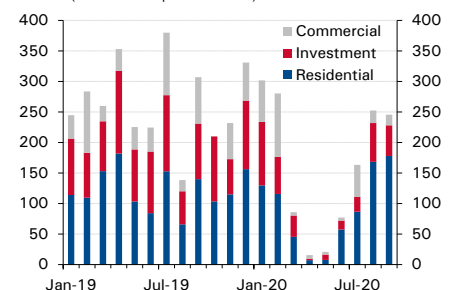
Source: Refinitiv

▶ **Chart 2: IMF non-oil GDP forecasts** (% from REO October 2020)



Source: IMF Regional Economic Outlook

▶ **Chart 3: Kuwait real estate sales** (KD billion per month)



Source: Ministry of Justice

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,718	-1.5	15.2
DAX	12,646	-2.0	-4.6
DJIA	28,336	-0.9	-0.7
Eurostoxx 50	3,199	-1.4	-14.6
FTSE 100	5,860	-1.0	-22.3
Nikkei 225	23,517	0.5	-0.6
S&P 500	3,465	-0.5	7.3
Regional			
Abu Dhabi SM	4,557	0.1	-10.2
Bahrain ASI	1,448	-2.1	-10.1
Dubai FM	2,186	-0.4	-21.0
Egypt EGX 30	10,987	-3.0	-21.3
MSCI GCC	529	-0.7	-6.6
Kuwait SE	5,618	-2.0	-10.6
KSA Tadawul	8,505	-0.6	1.4
Muscat SM 30	3,557	-1.0	-10.6
Qatar Exchange	9,958	-0.4	-4.5

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	0.84	9.7	-106.9
Bunds 10 Year	-0.57	5.1	-38.5
Gilts 10 Year	0.28	9.6	-54.4
JGB 10 Year	0.04	1.9	6.1
Regional			
Abu Dhabi 2022	0.63	-2.9	-141.0
Dubai 2022	0.97	-13.4	-149.8
Qatar 2022	0.83	4.2	-123.6
Kuwait 2022	0.86	14.7	-120.0
KSA 2023	0.89	4.3	-140.8
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	41.8	-2.7	-36.7
KEC	41.4	-0.2	-39.4
WTI	39.9	-2.5	-34.7
Gold	1902.0	0.1	25.2

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhivor - 3 month	2.25	0.0	-41.7
Kibor - 3 month	1.63	6.3	-112.5
Qibor - 3 month	1.03	-14.2	-122.5
Eibor - 3 month	0.45	1.6	-175.7
Saibor - 3 month	0.85	-0.9	-138.4
Libor - 3 month	0.21	-0.3	-169.4

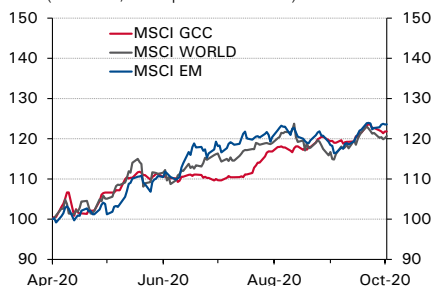
Exchange rates	rate	Change (%)	
		1-week	YTD
KWD per USD	0.305	-0.1	0.8
KWD per EUR	0.362	0.5	8.7
USD per EUR	1.186	1.2	5.8
JPY per USD	104.7	-0.7	-3.6
USD per GBP	1.304	1.0	-1.7
EGP per USD	15.66	0.1	-2.1

Updated on 23/10/2020

Source: Refinitiv

International equity markets

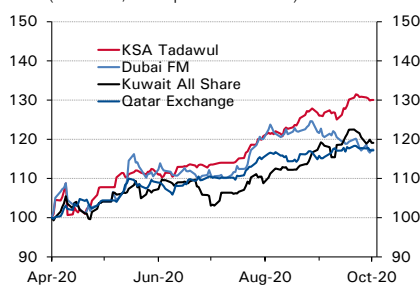
(rebased, 22 April 2020=100)



Source: Refinitiv

GCC equity markets

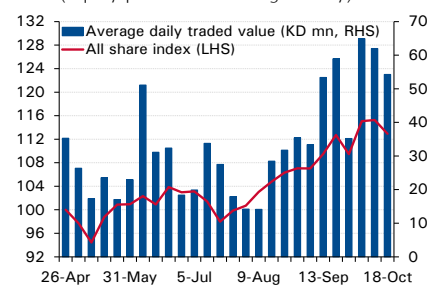
(rebased, 22 April 2020=100)



Source: Refinitiv

Bursa Kuwait

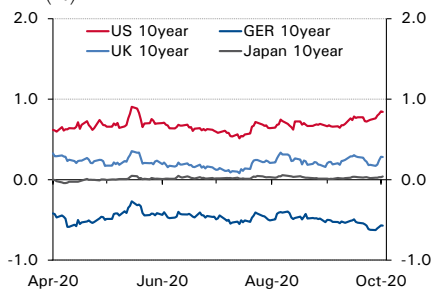
(equity prices and trading activity)



Source: Refinitiv

International bond yields

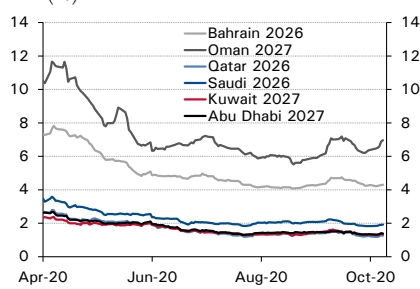
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Source: Refinitiv

GCC bond yields

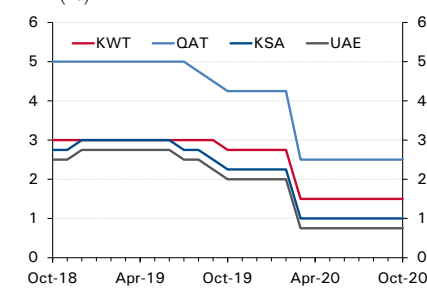
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv