

International

US: In his testimony to Congress, Fed Chairman Jay Powell reiterated earlier calls for more fiscal stimulus and said that although the economy had proved resilient of late, that may not last following the expiration of previous support measures and as household savings accumulated earlier in the year are run down. Initial jobless claims rose 870,000 in the week ending (w/e) September 19, slightly higher than a week before, which could potentially signal a concerning tailing-off in the labor market recovery. Continuing claims (produced with a one-week lag) fell but remained very high at 12.58mn, while the insured unemployment rate edged down to 8.6% from 8.7% a week before. More positively, both new and existing home sales were very strong in August, helped by low mortgage rates and, probably, relocation activity linked to Covid.

Japan: Weak factory activity (output and new orders) continues to hold back Japan's economic recovery, with the au Jibun Bank Japan flash PMI mostly unchanged in Sept at 47.3.

Financial markets: Global equity markets were broadly negative amid rising coronavirus cases and uncertainty about the economic recovery. Declines were led by European markets (Euro Stoxx 50 -4.5% w/w), while emerging markets (MSCI EM) also suffered steep falls (-3.5% w/w). Investors buying the dip helped curb the steep losses in US markets (S&P500 -0.6%).

Oil: Brent posted a weekly loss of 2.9% w/w on Friday, closing at \$41.9/bbl (-36.5% ytd), with markets anxious about the prospects for oil demand amid rising coronavirus-induced mobility restrictions. Worries about excess supply from returning Libyan oil exports were also a factor. US crude stocks declined by 1.6 mb to 493 mb.

MENA Region

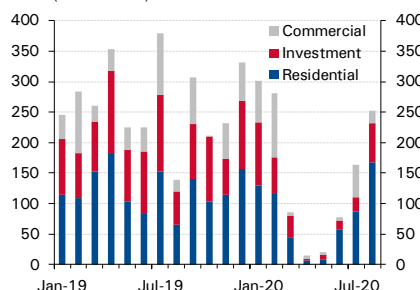
Kuwait: Moody's downgraded the government's credit rating by two notches to A1 from Aa2 (on a par with Saudi Arabia). The agency cited liquidity risks due to the depletion of the General Reserve Fund, the absence of a debt law and broader fiscal reforms amid continued political disputes that have hampered effective policymaking. Real estate sales surged in August to KD 252mn (+54% m/m; +82% y/y) – almost back to pre-pandemic levels. The pick-up was driven by a sharp rise in residential (+105% m/m) and investment (+40% m/m) sector activity, which is likely the result of pent-up demand after several months of restrictions. Consumer spending (Knet) fell 3.4%

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



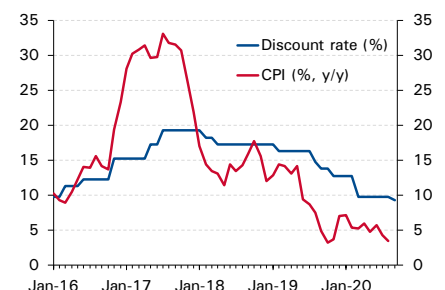
Source: Refinitiv

► **Chart 2: Kuwait real estate sales** (KD million)



Source: Refinitiv

► **Chart 3: Egypt CPI and discount rate**



Source: Refinitiv

m/m in August, following two months of double-digit growth, as the initial boost from accumulated savings and pent-up demand fades. Spending was still up 27.1% y/y, though.

Saudi Arabia: POS transactions (by value) have held up well this year, increasing by 20% y/y (cumulative, as of w/e 19 Sept) despite the drops recorded during the April-May lockdown. The authorities will allow a phased resumption of Umrah from 4 October, which should boost the tourism sector.

UAE: The central bank revised down its forecast for headline GDP growth in 2020, from -3.6% to -5.2%, on the back of a greater-than-expected contraction in the non-oil sector (from -4.1% to -4.5%) due to the impact of COVID-19.

Bahrain: Bank credit to residents increased by 3.2% y/y in July (from 2.9% in June). Business and personal credit rose by 3.2% and 4.1%, respectively. Public sector credit fell 8.3% y/y.

Oman: The government issued \$520mn worth of sukuk with an annual yield of 5.25% and a six-year maturity. \$3-4bn worth of US dollar bonds are also planned, with which the authorities hope to cover the \$2bn bridge loan secured in August.

Egypt: With urban inflation continuing to decelerate – 3.4% y/y in August, the second lowest rate recorded in almost 14 years – the Central Bank of Egypt (CBE) decided to cut, for the second time this year, the overnight deposit, lending and discount rates by 50 bps to 8.75%, 9.75%, and 9.25%, respectively. The unemployment rate, though, rose to 9.6% in 2Q20 from 7.7% in 1Q20 due to COVID-19's negative impact on the economy.

Financial markets: GCC markets mostly tracked their global counterparts down on renewed coronavirus concerns. The MSCI GCC fell 1.2% w/w led by Dubai (-3%) and Qatar (-1.5%), while Kuwait's All-Share Index bucked the trend, rising 3% w/w.

Key takeaways:

- Moody's downgrade to Kuwait's credit rating reflects concerns over short-term financing needs already expressed by government officials. Passage of the debt law is therefore essential to avoid deep spending cuts in an economy already pressured by low oil prices.
- Another Egypt rate cut could occur before year-end to support the economy, with inflation expected to remain around the lower band of the CBE target of 9% (±3%). Foreign inflows, attracted by still high-real interest rates, should continue.
- Bullish oil price drivers are difficult to find right now and the worry is that markets cannot absorb OPEC+ supply increases.

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,570	-3.5	11.6
DAX	12,469	-4.9	-5.9
DJIA	27,174	-1.7	-4.8
Eurostoxx 50	3,137	-4.5	-16.2
FTSE 100	5,843	-2.7	-22.5
Nikkei 225	23,205	-0.7	-1.9
S&P 500	3,298	-0.6	2.1
Regional			
Abu Dhabi SM	4,467	-1.0	-12.0
Bahrain ASI	1,450	1.1	-9.9
Dubai FM	2,252	-3.0	-18.5
Egypt EGX 30	10,911	-1.3	-21.8
MSCI GCC	517	-1.2	-8.8
Kuwait SE	5,609	3.0	-10.7
KSA Tadawul	8,236	-1.2	-1.8
Muscat SM 30	3,627	-0.6	-8.9
Qatar Exchange	9,788	-1.5	-6.1

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	0.66	-3.5	-125.1
Bunds 10 Year	-0.53	-4.2	-33.8
Gilts 10 Year	0.19	0.5	-63.5
JGB 10 Year	0.01	-0.3	3.2
Regional			
Abu Dhabi 2022	0.76	-3.2	-128.0
Dubai 2022	1.45	22.3	-102.2
Qatar 2022	0.93	11.9	-113.2
Kuwait 2022	1.06	14.9	-99.9
KSA 2023	1.36	6.5	-94.0
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	41.9	-2.9	-36.5
KEC	42.8	-2.7	-37.5
WTI	40.3	-2.1	-34.1
Gold	1857.7	-4.8	22.3

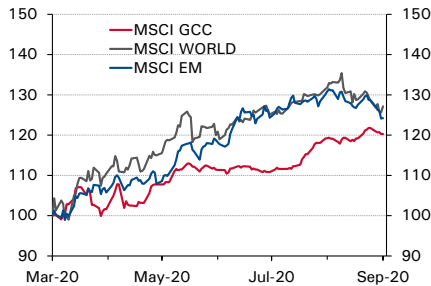
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.25	-3.3	-41.7
Kibor - 3 month	1.63	0.0	-112.5
Qibor - 3 month	0.95	7.3	-130.2
Eibor - 3 month	0.46	2.3	-174.4
Saibor - 3 month	0.87	-0.5	-135.9
Libor - 3 month	0.23	0.6	-167.5
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	0.4	1.1
KWD per EUR	0.357	-1.5	7.2
USD per EUR	1.163	-1.7	3.7
JPY per USD	105.6	1.0	-2.8
USD per GBP	1.275	-1.3	-3.9
EGP per USD	15.75	0.3	-1.6

Updated on 25/9/2020

Source: Refinitiv

International equity markets

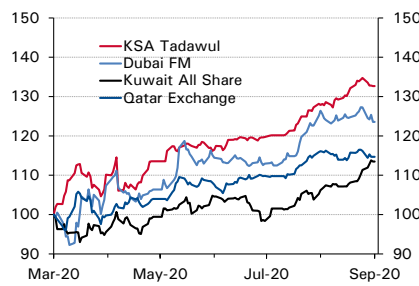
(rebased, 25 March 2020=100)



Source: Refinitiv

GCC equity markets

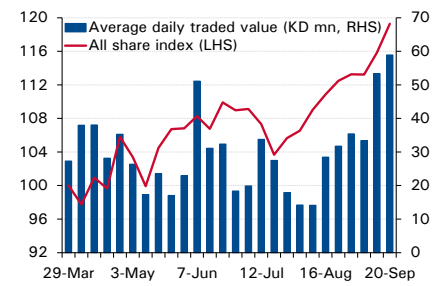
(rebased, 25 March 2020=100)



Source: Refinitiv

Bursa Kuwait

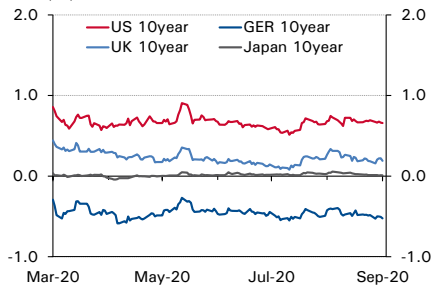
(equity prices and trading activity)



Source: Refinitiv

International bond yields

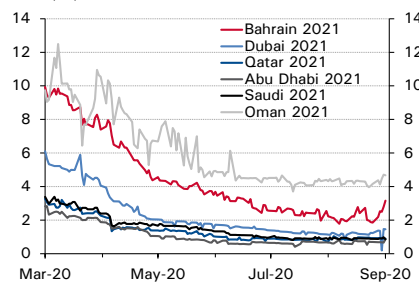
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Source: Refinitiv

GCC bond yields

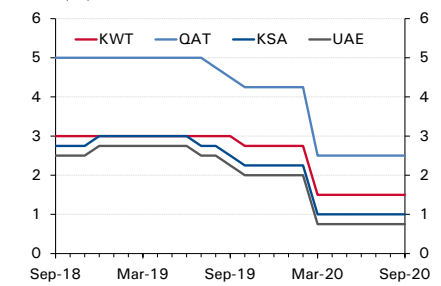
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv