

International and markets

Global: The IMF lowered its global growth forecast for 2023 to 2.7% from 2.9%, keeping projected growth at 3.2% this year, down from 6% in 2021. Global inflation is forecast at 8.8% this year, falling to a still-elevated 6.5% in 2023.

US: The CPI for September came worse-than-expected, rising by 0.4% m/m, translating in a y/y increase of 8.2%, down from 8.3% in August. The core index increased by 0.6% m/m (consensus at +0.4%) equal to the increase in August, but which pushed up the y/y increase to 6.6% through September from 6.3% the month before. The increase in the core index in September was fully driven by the services sub-index, while the goods sub-index was flat. Meanwhile, minutes of the Fed's September meeting reconfirmed the resolve to fight the high inflation with many participants emphasizing "that the cost of taking too little action to bring down inflation likely outweighed the cost of taking too much action."

Europe: UK PM Truss rolled back the corporate tax-cut plan (around GBP 20 billion from a total of GBP 45 billion in tax-cut packages) and replaced the Chancellor of the Exchequer. The new Chancellor hinted at rationalizing other previously-announced tax cuts and reducing spending. Meanwhile, GDP shrank 0.3% m/m in August (+0.1% in July), weighed down by a sharp fall in manufacturing (-1.6%), while the unemployment rate in the three months to August fell to 3.5% from 3.6% as more people left the workforce. Finally, retail sales increased by 1.8% y/y in September (+0.5% in August), lagging behind close to a 10% inflation rate. In the Eurozone, industrial production rose by a higher-than-expected 1.5% m/m in August (+0.6% forecast) after falling 2.3% in July.

Financial markets: Global equity markets were mostly negative amid higher inflation expectations. The MSCI ACWI fell 1.7% w/w led by the MSCI EM (-3.4%), while the S&P500 lost 1.6% w/w. The US 10-year treasury yield rose 12 bps to 4% The MSCI GCC followed suit, down 2.9% impacted by negative global sentiment, with losses led by Kuwait's All-Share (-2.7%).

Oil: Brent fell 6.4% w/w to \$91.6/bbl (+17.8% ytd) amid intensifying global recession fears and the prospect of further US rate hikes. The IEA lowered its oil demand growth outlook by 60 kb/d to 1.9 mb/d for 2022 and by a sizeable 470 kb/d to 1.7 mb/d for 2023 and warned that price rises stemming from OPEC+ cuts could be a "tipping point" for the global economy.

MENA Region

KSA: The consumer price index increased by 0.3% m/m in September, driving up the y/y increase to 3.1% from 3% in August. This was almost fully driven by price increases in housing rentals (+1.3% m/m, +3.6% y/y) and food/beverages (+1% m/m, +4.3% y/y).

UAE: The IMF revised up its growth forecasts for 2022-23 by 0.9% and 0.4% to 5.1% and 4.2%, respectively. ADNOC awarded two contracts worth \$2.5 billion for offshore drilling to expand operations related to increasing production capacity.

Qatar: Inflation accelerated to 6% y/y in September, the highest since December 2021, with upwards pressure mostly from the recreation/culture and housing/utilities.

Oman: Moody's changed the outlook to "positive" and affirmed its Ba3 rating given higher oil prices as well as improvements in debt affordability metrics, and an assumption that the trend will likely continue going forward.

Egypt: The IMF projects that growth could reach 6.6% in 2022, softening to 4.4% in 2023. Consumer price inflation is projected at 9.2% in 2023, down from 15% y/y in September 2022. Meanwhile, the trade deficit fell by 29% y/y in July to \$2.7 billion on a 2% increase in exports and a 15% decline in imports.

Key takeaways:

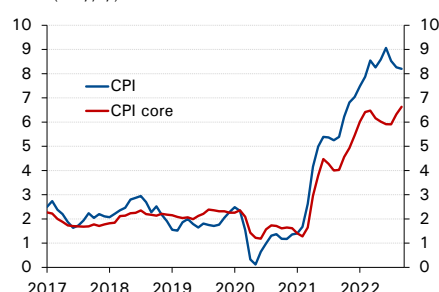
- Alongside downgrading the global growth outlook, the IMF emphasized the need to 'stay the course' on monetary policy tightening to bring down inflation, but also various viable downside risks to the outlook from a policy miscalculation, the sharply stronger US dollar, distress in emerging markets and weakness in China's property market.
- The higher-than-expected inflation print in the US has led the market to expect 150 bps of additional hikes this year from 125 bps previously, which is somehow in sync with the FOMC's hawkish stance as per the minutes of their latest meeting.
- Despite dramatic moves to try and steady the ship, the position of UK PM Truss is far from secure and further policy reversals are likely needed before full financial stability is restored. Tighter fiscal policy alongside sharp rises in interest rates will add to recessionary pressures in 2023.
- Despite a preponderance of negative price pressures, the oil market is heading towards increasing supply tightness (especially diesel), with US output falling, Russian supply likely to be curtailed, and OPEC+ cuts kicking in next month.

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



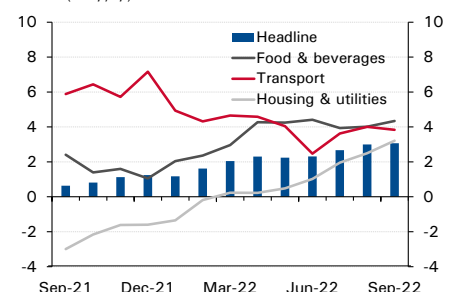
Source: Refinitiv

► **Chart 2: US inflation**
(% y/y)



Source: Haver

► **Chart 3: KSA inflation**
(% y/y)



Source: GASTAT

Key data

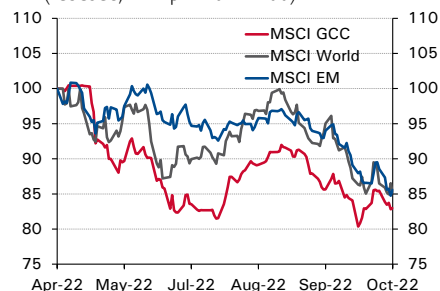
Stock markets				Bond yields				Interbank rates			
Index	Change (%)			%	Change (bps)			%	Change (bps)		
	1-week	YTD			1-week	YTD			1-week	YTD	
International				International				International			
CSI 300	3,842	1.0	-22.2	UST 10 Year	4.01	12.1	249.4	Bhibor - 3 month	5.00	0.0	348.3
DAX	12,438	1.3	-21.7	Bunds 10 Year	2.36	16.4	254.0	Kibor - 3 month	3.19	0.0	168.8
DJIA	29,635	1.2	-18.4	Gilts 10 Year	4.33	9.0	335.5	Qibor - 3 month	2.45	0.0	132.5
Eurostoxx 50	3,382	0.2	-21.3	JGB 10 Year	0.25	0.0	18.0	Eibor - 3 month	3.78	28.4	341.3
FTSE 100	6,859	-1.9	-7.1	Regional				Saibor - 3 month	4.86	53.4	395.8
Nikkei 225	27,091	-0.1	-5.9	Abu Dhabi 2027	4.88	30.4	173.7	Libor - 3 month	4.19	28.5	398.5
S&P 500	3,583	-1.6	-24.8	Oman 2027	6.88	7.4	56.6	Sofr - 3 month	3.93	26.3	383.7
Regional				Commodities				Exchange rates			
Abu Dhabi SM	9,776	-1.3	15.2	Brent crude	91.6	-6.4	17.8	KWD per USD	0.311	0.2	2.8
Bahrain ASI	1,868	-0.8	3.9	KEC	95.9	-2.3	21.3	KWD per EUR	0.302	-1.3	-12.2
Dubai FM	3,377	0.1	5.7	WTI	85.6	-7.6	13.8	USD per EUR	0.972	-0.2	-14.5
Egypt EGX 30	9,854	-1.6	-17.5	Gold	1641.7	-3.5	-10.2	JPY per USD	148.7	2.3	29.2
MSCI GCC	741	-2.9	0.6					USD per GBP	1.117	0.8	-17.4
Kuwait SE	6,987	-2.7	-0.8					EGP per USD	19.61	-0.1	25.2
KSA Tadawul	11,422	-2.9	1.2								
Muscat SM 30	4,541	-0.3	10.0								
Qatar Exchange	12,718	-2.4	9.4								

Updated on 14/10/2022

Source: Refinitiv

International equity markets

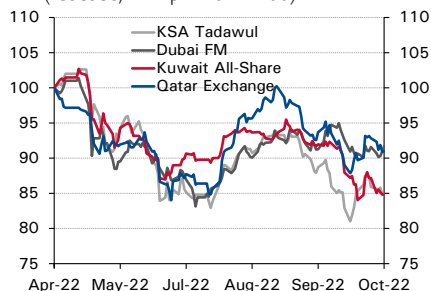
(rebased, 22 April 2022=100)



Source: Refinitiv

GCC equity markets

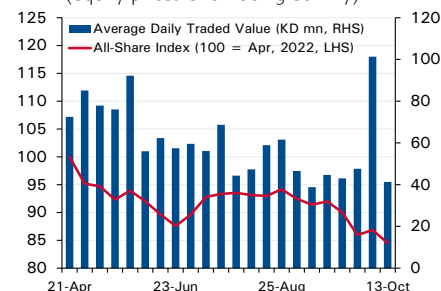
(rebased, 22 April 2022=100)



Source: Refinitiv

Bursa Kuwait

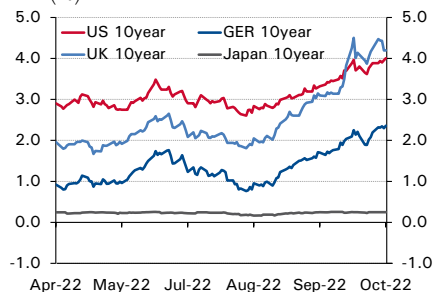
(equity prices and trading activity)



Source: Refinitiv

International bond yields

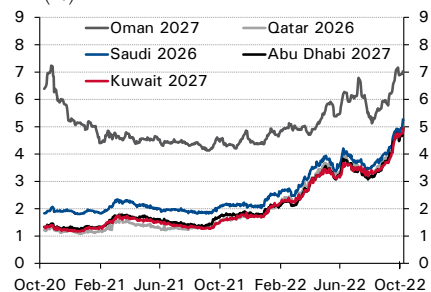
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Source: Refinitiv

GCC bond yields

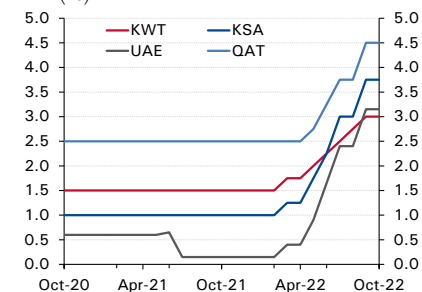
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv