

International

US: President Trump refuted a claim by Chinese officials that the two sides had agreed a deal to roll back some of the tariff hikes imposed by both sides over the past nearly two years, to help secure a 'phase one' trade agreement. The ISM non-manufacturing PMI for October came in above consensus at 54.7, up from 52.6 in September and much stronger than its sub-50 manufacturing equivalent. However the Markit PMI shows the opposite (and weaker) trend, with services (50.6) under-performing manufacturing (51.3). Consumer sentiment remained solid at 95.7, up slightly from September.

Europe: In signals of a dovish policy approach, new European Central Bank chief Christine Lagarde supported the bank's negative interest rate policy and called for countries with budget surpluses to ease fiscal policy to boost demand. Meanwhile, the German finance minister proposed steps towards a banking union including Eurozone-wide deposit insurance.

Financial markets: Equities gained on trade optimism, positive US corporate earnings and somewhat improved growth expectations. The MSCI AC world rose 1.2% led by the Nikkei 225 (2.4%) and the Euro Stoxx 50 (2.1%). The US 10-year treasury yield surged 21 bps amid the improved sentiment.

Oil: Brent rose 1.3% w/w at \$62.5/bbl on US-China trade talks, shrugging-off a surge in US crude inventories (+7.9 mb). OPEC, in its latest long-term outlook report, forecast a decline in its total oil liquids output (-2.2 mb/d) and market share (from 35% to 31%) by 2023-24 due to lower projected demand and higher non-OPEC supply, especially US shale. It sees its market share rising to 40% by 2040 after US shale output begins to decline.

MENA Region

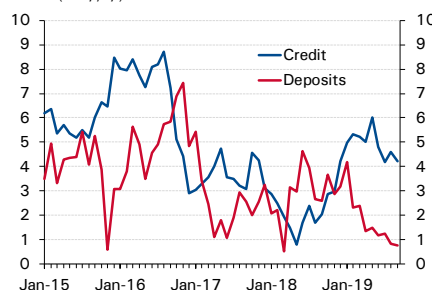
Kuwait: Credit growth slipped to 4.2% y/y in September from 4.6% in August, on a fall in business credit growth to 4.0% from 4.6%. Household credit growth was better at 5.1% (5.2% in August), helped in particular by a 9% m/m surge in lending for securities purchase. The latter was likely boosted by the launch of the two IPOs (Boursa Kuwait and Az-Zour) for which subscriptions kicked-off on October 1st. Meanwhile the external current account surplus in 1H19 widened to KD 5.8 billion (28% of GDP) from KD 5.0 billion (22%) in 1H18. The rise in the surplus came from a 66% y/y increase in investment income to KD6.3 billion. However the goods trade balance fell 20% to KD5.7 billion due to lower oil prices.

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



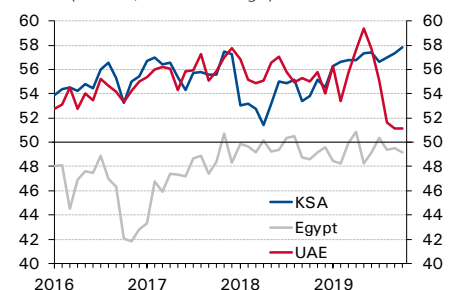
Source: Refinitiv

► **Chart 2: Kuwait credit and deposits** (% y/y)



Source: Refinitiv

► **Chart 3: MENA PMIs** (indices, 50=no change)



Source: IHS Markit

Saudi Arabia: The PMI climbed to 57.8 in October 2019 (57.3 in September), the highest since August 2015. The new orders index expanded by its most in four months. Aramco published its IPO prospectus and the offer price will be announced on December 5th. The total stake to be sold will be revealed after the end of the book-building process, while the retail tranche size will be capped at 0.5% of the total outstanding shares. The government will not be selling any additional shares to the public within 12-months of the listing on Tadawul.

UAE: The PMI was steady in October at 51.1, lower than the 1H19 average of 57. Export orders fell for the first time in a year-and-a-half, but business sentiment rose with firms hoping that EXPO 2020 will drive demand. Meanwhile, consumer prices continued to decline at -2.2% y/y in September compared to -2.0% in August. Housing rents fell 4.3% (-4.7% in August).

Egypt: Inflation decelerated for the fifth consecutive month in October to the lowest in a decade, at 3.1% from 4.8% in September, driven mainly by a drop in food & beverages prices by 4.8% y/y. Meanwhile the PMI contracted for the third consecutive month in October, at 49.2 from 49.5 in September. Output and new orders components were still at sub-50 levels.

Financial markets: GCC markets were mixed but mostly positive. The MSCI GCC rose 0.7% w/w, lifted mostly by positive corporate earnings in Saudi Arabia, as well as gains in Qatar and Oman, while Kuwait's All-Share declined slightly (-0.4%).

Key takeaways:

- Conflicting statements from the Chinese and the Americans on the reversal of recently introduced tariffs cast doubt on reaching a trade deal soon.
- Steps towards a Eurozone banking union are critical to protect the euro-area against future crises, but are politically contentious - implying cross-country transfers - and not certain to be agreed by the German government as a whole.
- The easing in Kuwait's credit growth in September was mostly due to broad softness in corporate lending, including in trade, industry and real estate. A steady macroeconomic climate and falling interest rates should still sustain credit growth at a moderate pace going forward.
- The continued deceleration of inflation in Egypt will likely push the central bank to cut its policy rate again at its next meeting this week, following two consecutive cuts in August and September of a cumulative 250 bps.

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,973	0.5	32.0
DAX	13,229	2.1	25.3
DJIA	27,681	1.2	18.7
Eurostoxx 50	3,700	2.1	23.3
FTSE 100	7,359	0.8	9.4
Nikkei 225	23,392	2.4	16.9
S&P 500	3,093	0.9	23.4
Regional			
Abu Dhabi SM	5,131	0.5	4.4
Bahrain ASI	1,518	-0.3	13.5
Dubai FM	2,699	-1.8	6.7
Egypt EGX 30	14,796	1.6	13.5
MSCI GCC	536	0.7	-51.3
Kuwait SE	5,694	-0.4	12.1
KSA Tadawul	7,798	0.7	-0.4
Muscat SM 30	4,041	1.0	-6.5
Qatar Exchange	10,275	0.8	-0.2

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.93	20.5	-75.8
Bunds 10 Year	-0.27	11.1	-51.2
Gilts 10 Year	0.79	12.7	-47.8
JGB 10 Year	-0.06	12.2	-6.0
Regional			
Abu Dhabi 2022	2.15	1.8	-114.6
Dubai 2022	2.72	12.9	-121.4
Qatar 2022	2.15	-0.3	-130.0
Kuwait 2022	2.15	1.7	-117.0
KSA 2023	2.34	0.0	-153.7
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	62.5	1.3	16.2
KEC	62.9	3.6	20.5
WTI	57.2	1.9	26.1
Gold	1461.3	-3.1	14.3

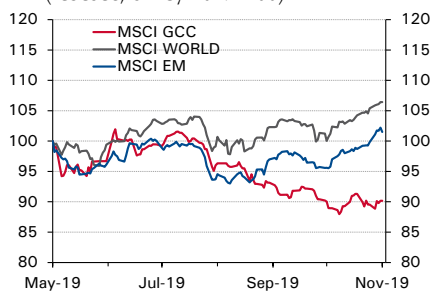
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.78	-3.3	-116.7
Kibor - 3 month	2.75	-6.3	43.8
Qibor - 3 month	2.30	-29.1	-60.6
Eibor - 3 month	2.21	13.7	-62.3
Saibor - 3 month	2.23	-0.7	-74.6
Libor - 3 month	1.90	-0.1	-90.6
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.1	0.2
KWD per EUR	0.333	0.0	-4.3
USD per EUR	1.102	-1.3	-3.9
JPY per USD	109.3	1.0	-0.3
USD per GBP	1.277	-1.3	0.1
EGP per USD	16.10	0.1	-9.9

Updated on 8/11/2019

Source: Refinitiv

International equity markets

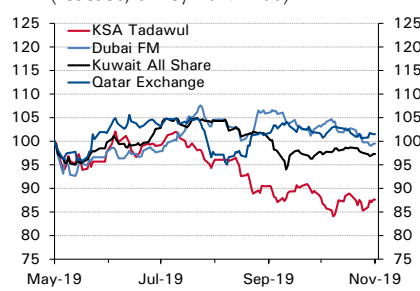
(rebased, 8 May 2019=100)



Source: Refinitiv

GCC equity markets

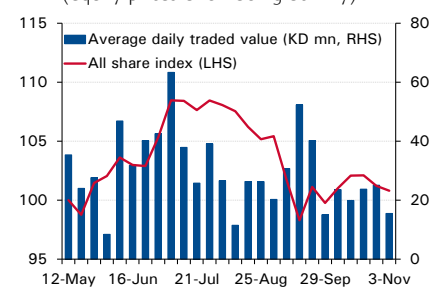
(rebased, 8 May 2019=100)



Source: Refinitiv

Boursa Kuwait

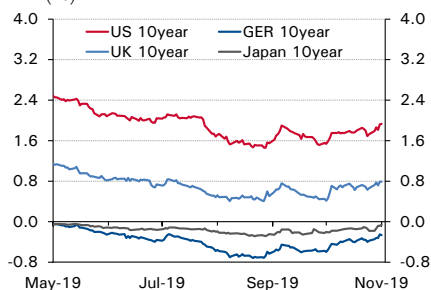
(equity prices and trading activity)



Source: Refinitiv

International bond yields

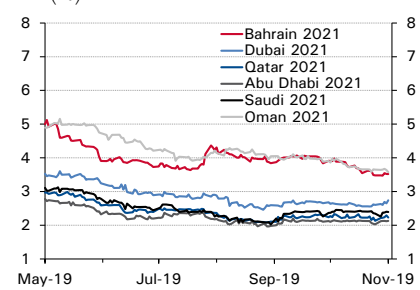
(%)



Source: Refinitiv

GCC bond yields

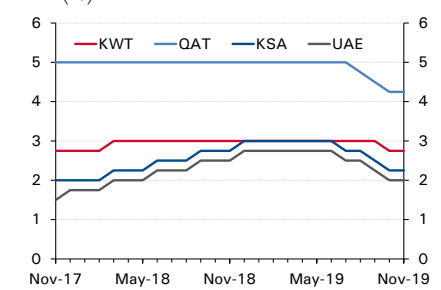
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv