

International and markets

US: With a 0.6% increase in September, the core PCE, edged up to 4.9% y/y (from 4.7%), coming slightly above expectations. The headline rate softened to 6.2% y/y from 6.4%. Meanwhile, the final estimate of 2Q22 GDP was unchanged at 0.6% (annualized), although private consumption growth was revised up to +2%. The Case-Shiller home price index fell (-0.8% in July) for the first time in four years, cutting its y/y increase to 16.1% (June 18.7%). Finally, the University of Michigan survey showed that consumers' long-run inflation expectations dropped to 2.7% in September (2.9% in August).

Europe: Fallout from the new UK fiscal plans continued, with the BoE forced to announce a GBP65 billion plan to buy long-dated UK bonds and suspended the gilts sale programme due to begin this week, amid surging yields. Following this, yields on 30-year bonds fell by more than 100 bps to below 4%. S&P cut the outlook on UK sovereign rating to negative from stable, citing rising public debt. Meanwhile, 2Q GDP was revised up to 0.2% q/q from -0.1% earlier. In the Eurozone, inflation accelerated in September to 10% from 9.1%, worse than the 9.7% forecast. The core rate also jumped to 4.8% from 4.3%.

China: The official manufacturing PMI expanded in September (50.1), helped by a series of stimulus packages and targeted support measures. However, service activity declined to a four-month low (50.6). Meanwhile, the central bank intervened in the FX market after the yuan dropped to a 14-year low.

Japan: The expansion in manufacturing activity slowed to a 20-month low in August (PMI of 51) amid a global slowdown and higher energy and commodity prices exacerbated by a weaker yen. Meanwhile, the central bank announced unscheduled bond purchases as it sought to cap upward pressure on yields.

Financial markets: Global equity markets continued to plummet as the MSCI ACWI lost 2.5% w/w led by the S&P500 and DJIA, each down 2.9% w/w, hitting 22-month lows. The US 10-year treasury yield rose 11 bps w/w to 3.8% after touching 4% earlier in the week. The MSCI GCC followed suit, down 1.5% w/w led by Kuwait (-4.5%) amid global uncertainty.

Oil: Brent arrested a four-week run of losses to eke out a small gain last week, rising 2.1% w/w to \$88.0/bbl (+13.1% ytd) largely on an increase in supply-side risk factors: Russia pushing for OPEC production cuts; Nord Stream 2 gas pipeline sabotage; and further EU sanctions on Russia. US oil demand also proved resilient, after data showed a first crude stock draw in a month.

MENA Region

Kuwait: For the second time in two years, Kuwaitis went to polls to elect 50 MPs from this time 305 candidates. The vote returned 27 new MPs, though turnout was reportedly low. 60% of the new assembly is thought to be composed of 'opposition' candidates, who appear to have made gains at the expense of 'pro-government' MPs. The government has since tendered its resignation and will appoint a new PM shortly, with the new parliament set to convene on October 11.

Saudi Arabia: The pre-budget statement estimates the fiscal surplus at 2.3% of GDP this year, falling to just 0.2% of GDP in 2023 on a steeper drop in revenues compared with spending. GDP growth is seen at 8% in 2022, dropping to 3.1% next year. Meanwhile, the unemployment rate among Saudis decreased to 9.7% in 2Q from 10.1% in 1Q.

Egypt: The government will look to raise \$6 billion by selling stakes in public companies before June 2023, according to the Minister of Planning. Meanwhile, the number of tourists increased by 85% y/y to 4.9 million in 1H22.

Oman: S&P Global Ratings affirmed Oman's sovereign credit rating at 'BB-' (stable outlook), supported by the authorities' fiscal reform program and the higher oil price environment.

Bahrain: The economy grew 5% q/q and 6.9% y/y in 2Q22 (6.2% y/y in 1H22) driven by strong activity in non-oil sectors such as manufacturing, tourism, and hospitality.

Key takeaways:

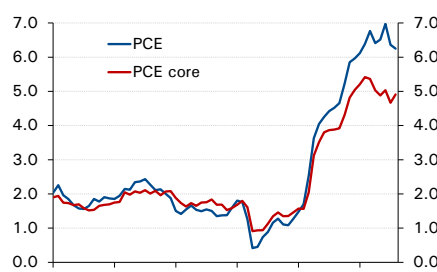
- In the US, similar to the CPI print for August, PCE inflation came higher than expected. However, market-based measures of inflation, several leading economic indicators, and consumers' inflation expectations point to a slowdown in price pressures going forward.
- The BoE's temporary measures helped stabilize the pound and the UK bond markets for now. Still, with new PM Truss pledging to stick to her reform and tax cut plans, the BoE is expected to deliver a big rise in interest rates in November, both to reassure on inflation and limit pressure on UK markets.
- Kuwait's elections offer the opportunity for a reset in relations between the government and parliament, whose disagreements in recent years have hindered economic reforms. While turnover in MPs suggests a greater number of 'opposition' lawmakers, it also reflects a desire for change and the government will look to press on with its reform agenda.

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



Source: Refinitiv

▶ **Chart 2: US PCE**
(% y/y)



Source: Haver

▶ **Chart 3: Eurozone HICP**
(% y/y)



Source: Haver

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,805	-1.3	-23.0
DAX	12,114	-1.4	-23.7
DJIA	28,726	-2.9	-20.9
Eurostoxx 50	3,318	-0.9	-22.8
FTSE 100	6,894	-1.8	-6.6
Nikkei 225	25,937	-4.5	-9.9
S&P 500	3,586	-2.9	-24.8
Regional			
Abu Dhabi SM	9,751	-2.7	14.9
Bahrain ASI	1,882	-2.4	4.7
Dubai FM	3,339	-2.0	4.5
Egypt EGX 30	9,827	-1.1	-17.8
MSCI GCC	740	-1.5	0.4
Kuwait SE	7,106	-4.5	0.9
KSA Tadawul	11,405	-0.5	1.1
Muscat SM 30	4,528	1.2	9.7
Qatar Exchange	12,695	0.4	9.2

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	3.80	10.7	229.2
Bunds 10 Year	2.11	7.8	228.8
Gilts 10 Year	4.09	26.3	312.0
JGB 10 Year	0.25	1.0	17.5
Regional			
Abu Dhabi 2027	4.70	30.7	163.6
Oman 2027	6.97	51.6	58.7
Qatar 2026	4.85	52.0	177.8
Kuwait 2027	4.54	32.5	164.8
Saudi Arabia 2028	4.86	27.0	130.1
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	88.0	2.1	13.1
KEC	96.1	-0.8	21.5
WTI	79.5	1.0	5.7
Gold	1662.4	1.0	-9.0

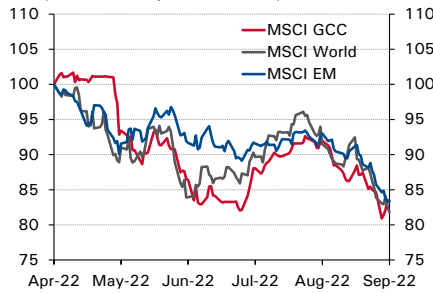
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	5.00	17.5	348.3
Kibor - 3 month	2.94	6.3	143.8
Qibor - 3 month	2.45	0.0	132.5
Eibor - 3 month	3.56	44.5	319.4
Saibor - 3 month	4.12	51.8	321.2
Libor - 3 month	3.75	12.6	354.6
Sofr - 3 month	3.59	9.4	350.2
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.310	0.1	2.6
KWD per EUR	0.304	-0.1	-11.7
USD per EUR	0.980	1.1	-13.8
JPY per USD	144.8	1.0	25.8
USD per GBP	1.116	2.8	-17.5
EGP per USD	19.49	0.2	24.5

Updated on 30/9/2022

Source: Refinitiv

International equity markets

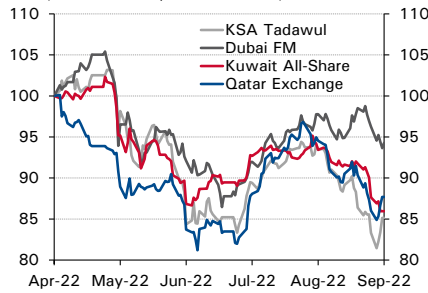
(rebased, 8 April 2022=100)



Source: Refinitiv

GCC equity markets

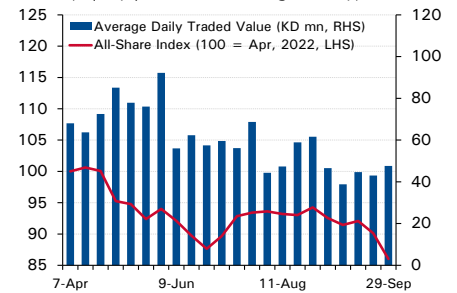
(rebased, 8 April 2022=100)



Source: Refinitiv

Bursa Kuwait

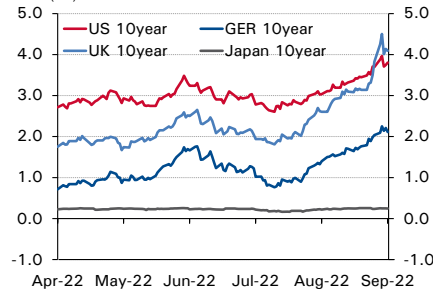
(equity prices and trading activity)



Source: Refinitiv

International bond yields

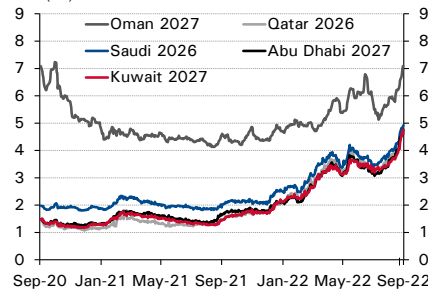
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Source: Refinitiv

GCC bond yields

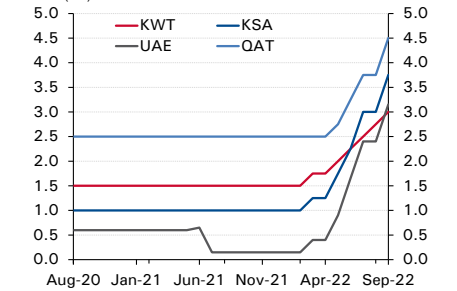
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv