

International and markets

US: With a 0.5% increase in September, the Fed's preferred inflation gauge, the core PCE, edged up to 5.1% y/y (from 4.9% one month before), coming slightly below expectations. The headline rate was steady at 6.2% y/y, also marginally below expectations. Meanwhile, the first estimate of 3Q2022 GDP reported an annualized 2.6% q/q expansion, beating expectations of 2.3%, supported by strong net exports and with personal consumption increasing by 1.4%. This follows two consecutive quarters of negative GDP growth. The closely-followed employment cost index came in line with expectations in 3Q2022 as it increased by 1.2% (+1.3% in 2Q2022), cutting the y/y increase to 5% from 5.1%. Finally, the Case-Shiller Home Price Index dropped by a steeper-than-expected 1.3% in September, following a downward-revised 0.7% drop in August.

Europe: The ECB hiked the deposit facility rate by 75 bps to 1.5% and altered the interest rate on "ultra-cheap" TLTRO loans to applicable average policy rates. It said further hikes are in the pipeline after "making progress in withdrawing monetary policy accommodation." Meanwhile, PMIs in Europe continued to contract faster in October as high prices sapped demand. The Eurozone composite PMI fell to 47.1 from 48.1, a 23-month low, as manufacturing and services weakened to 46.6 and 48.2, respectively. Likewise, the UK PMI slipped deeper into recession levels at 47.2 (from 49.1), the lowest since January 2021, with accelerated falls in both manufacturing (45.8) and services (47.5). Rishi Sunak became the UK's new PM, replacing Liz Truss, and he looks set to cut spending and raise taxes.

China: GDP growth rose a better-than-expected 3.9% y/y in 3Q22, driven by robust activity in the industrial sector. However, economic indicators were mixed in September, as industrial production and fixed asset investment beat expectations, but house prices, retail sales, and imports were softer than forecast.

Financial markets: Global equities rallied on earnings optimism and lower-than-expected inflation. US markets saw strong gains for the second straight week, with the DJIA up 5.7% w/w. Meanwhile, treasury yields eased. In contrast, the MSCI GCC fell 1.5% amid lower oil prices, weighed down by Saudi Arabia (-2.1%), while Kuwait was little changed.

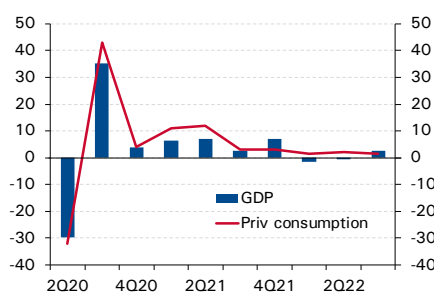
Oil: Brent, despite falling on Friday to \$95.8/bbl after China widened its Covid curbs and the US dollar strengthened, still managed to eke out a second consecutive weekly gain, of 2.4% (+23.1% ytd) amid strong US economic and petroleum data.

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



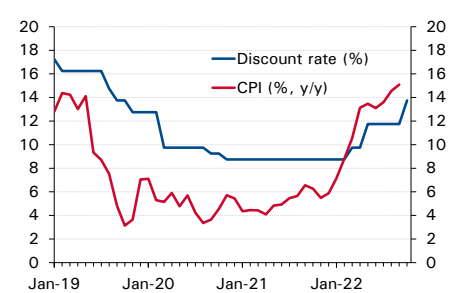
Source: Refinitiv

▶ **Chart 2: US GDP**
% y/y



Source: Haver

▶ **Chart 3: Egypt inflation, policy rate**



Source: Haver

US oil exports set a new weekly record (+11.4 mb/d) and tight fuel inventories continued to send bullish signals.

MENA Region

Kuwait: Finalization of the FY22/23 budget and FY21/22 closing accounts was postponed until this week at the earliest after MPs called for more time to study and debate the drafts. The 7-month surplus reportedly reached KD 5.75 billion, versus a full year deficit of KD3.1 billion in the draft budget.

KSA: The Crown Prince launched the Global Supply Chain Resilience Initiative, aiming to attract SAR40 billion in investments in its first two years and announced that the PIF will invest in Bahrain, Iraq, Jordan, Oman, and Sudan with investments targeted to reach \$24 billion in a variety of sectors.

UAE: The budget surplus increased in 2Q22 to AED83.4bn (18.8% of GDP) on rising oil revenues while expenditures increased by 10.3% y/y on higher subsidies and grants. Bank results for 3Q22 showed a surge in net profit on higher net interest income and lower provisioning.

Bahrain: Inflation in September remained stable at 4% y/y on a continued rise in food (11% y/y) and transportation prices (8% y/y), while housing declined 1% y/y.

Egypt: Egypt and the IMF reached a staff-level agreement on a 46-month Extended Fund Facility worth of \$3bn (potentially rising to \$4bn later on) in addition to \$5bn from key partners. The announcement came hours after the central bank raised policy rates by 2% and allowed the pound to depreciate by more than 14%, important preconditions of the IMF deal.

Key takeaways:

- In the US, all eyes will be on the Fed meeting this Wednesday, and while a 75 bps hike is almost a certainty, the focus will be on Chair Powell's press conference for clues on whether another 75 bps hike or a dial down to 50 bps would be more likely in the December meeting.
- The new UK government's much more conservative fiscal approach could mean that inflation – currently 10.1% – will be tamed sooner, easing pressure on the Bank of England to tighten monetary policy aggressively. But further hikes will still be needed starting with a 75bps move this week.
- The announcement of a long-awaited IMF funding deal provides for a path out of the current crisis for Egypt's economy. In the short term, reforms are likely to push inflation up and weigh on growth. However, we expect a recovery in 2H 2023 as inflation eases and interest rates start to fall.

Key data

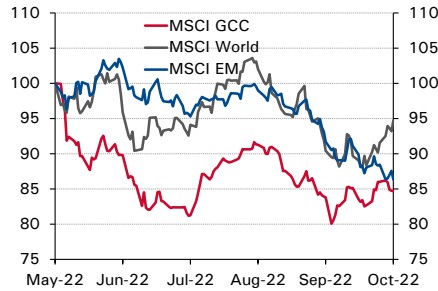
Stock markets	Index	Change (%)		Bond yields	%	Change (bps)		Interbank rates	%	Change (bps)					
		1-week	YTD			1-week	YTD			1-week	YTD				
International															
CSI 300	3,541	-5.4	-28.3	UST 10 Year	4.01	-20.2	249.8	Bhibor - 3 month	5.22	9.9	370.2				
DAX	13,243	4.0	-16.6	Bunds 10 Year	2.09	-35.1	226.5	Kibor - 3 month	3.25	0.0	175.0				
DJIA	32,862	5.7	-9.6	Gilts 10 Year	3.50	-55.4	252.4	Qibor - 3 month	2.45	0.0	132.5				
Eurostoxx 50	3,613	3.9	-15.9	JGB 10 Year	0.25	-1.0	17.5	Eibor - 3 month	4.10	1.8	374.0				
FTSE 100	7,048	1.1	-4.6	Regional											
Nikkei 225	27,105	0.8	-5.9	Abu Dhabi 2027	4.74	-26.5	165.7	Oman 2027	6.65	-41.3	51.3				
S&P 500	3,901	4.0	-18.2	Oman 2027	6.65	-41.3	51.3	Qatar 2026	4.98	-25.6	185.4				
Regional															
Abu Dhabi SM	10,287	1.7	21.2	Kuwait 2027	4.75	-16.1	177.0	Saudi Arabia 2028	5.18	-31.3	145.0				
Bahrain ASI	1,864	-0.2	3.7	Commodities											
Dubai FM	3,349	-1.5	4.8												
Egypt EGX 30	11,072	7.8	-7.3												
MSCI GCC	759	-1.5	3.0												
Kuwait SE	7,231	-0.2	2.7												
KSA Tadawul	11,710	-2.1	3.8												
Muscat SM 30	4,401	-1.2	6.6												
Qatar Exchange	12,262	-3.1	5.5												
Exchange rates															
KWD per USD	0.310	-0.2	2.4												
KWD per EUR	0.309	1.8	-10.3												
USD per EUR	0.996	1.0	-12.4												
JPY per USD	147.5	-0.1	28.1												
USD per GBP	1.161	2.7	-14.2												
EGP per USD	23.10	18.3	47.5												

Updated on 28/10/2022

Source: Refinitiv

International equity markets

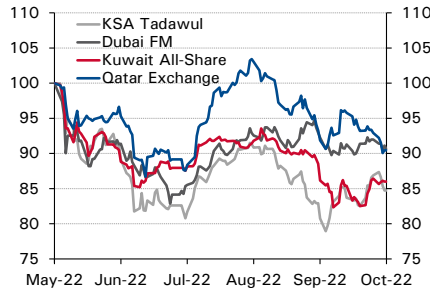
(rebased, 5 May 2022=100)



Source: Refinitiv

GCC equity markets

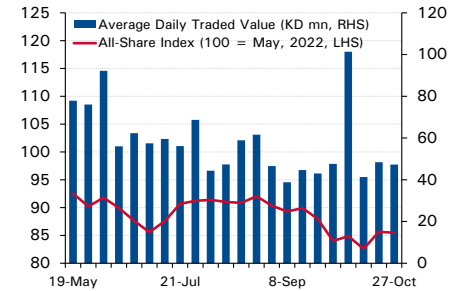
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Source: Refinitiv

Bursa Kuwait

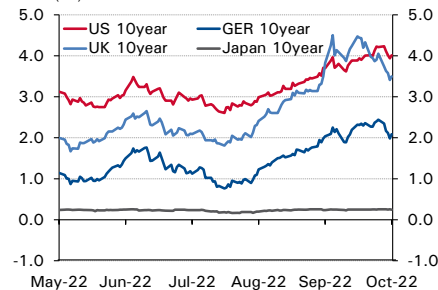
(equity prices and trading activity)



Source: Refinitiv

International bond yields

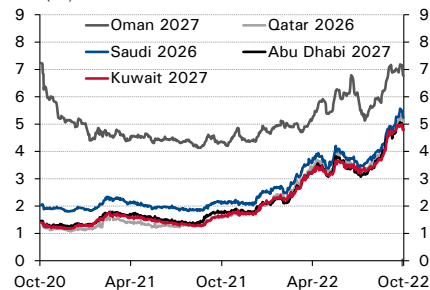
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Source: Refinitiv

GCC bond yields

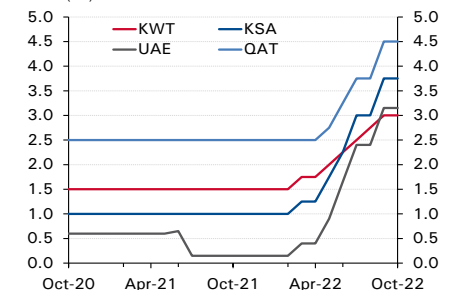
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv