

International

US: President Trump signaled that he may be prepared to wait until after the November 2020 election before signing a trade deal with China. On data, US job creation smashed through expectations in November, rising 266,000 (consensus 180,000) for the largest increase since January, albeit boosted by the return of 41,000 previously striking GM workers. Unemployment fell back to September's 50-year low of 3.5%, while earnings growth eased a touch to 3.1% y/y – but both were stronger than expected. In further positive news, consumer sentiment rose again to a very solid preliminary 99.2 in December. On the business side, ISM surveys showed manufacturing remained in contraction but the index broadly steady at 48.1 in November, while non-manufacturing slipped but remained positive at 53.9. However, alternative PMI indices showed both sectors above 50 but manufacturing (52.6) outpacing services (51.6).

Financial markets: Global equities ended the week flat (MSCI-AC world 0.0% w/w) on mixed US-China trade expectations, and helped on Friday by positive US jobs data. Markets were led by the Nikkei 225 (0.3%) and the S&P500 (0.2%), while the Euro Stoxx 50 (-0.3%) and DJI (-0.1%) trailed behind. US 10-year treasury yields gained 7 bps w/w to 1.84%.

Oil: Brent jumped 1.6% on Friday to close up 3.1% w/w at \$64.4/bbl after OPEC+ surprised the markets by announcing additional production cuts of 500 kb/d effective January 2020. This would bring total cuts to 2.1 mb/d, factoring in Saudi's current voluntary cut of 0.4 mb/d. The agreement is contingent on non-compliers, such as Iraq and Nigeria, bringing output down to agreed levels and will be valid until end-March.

MENA Region

Kuwait: Credit growth improved to 4.7% y/y in October from 4.2% in September, on a solid expansion in business lending. The latter had one of its best months in the year, up 1.2% m/m and pushing y/y growth to 4.9%. Household credit growth inched down to 4.9% from 5.1% in September, but solely due to base effects; in fact, the monthly growth in household credit was among the highest year-to-date. Within household credit, personal consumption loans and housing loans continued to exhibit diverging trends, with the former soaring by 34% y/y while growth in housing loans softened to 2.3%.

Saudi Arabia: The PMI climbed to 58.3 in November 2019 (57.8 in October), the highest reading since August 2015. Both

the output and orders sub-components remained firmly above 50. Meanwhile, the subscription in Aramco's IPO was completed and the final price (SAR32 per share) was at the top end of the SAR30-32 range. Hence, the IPO size stood at \$25.6 billion while total orders by institutional and retail investors reached \$119 billion. Trading in Aramco's shares will start on 11 December.

UAE: The UAE ranked 13th on a global index of the most attractive destinations for infrastructure investment in the world due to extensive government pro-investment reforms, according to a study by law firm CMS. Meanwhile, a report by Moody's projects a slowdown in non-oil economic activity over the next few years, affecting government revenues more acutely in Dubai and Sharjah. Finally, the PMI dipped to 50.3 in November (51.1 in October) on the back of a decline in new orders due to weak business conditions and customer demand.

Egypt: The PMI fell to 47.9 in November (49.2 in October), its lowest reading since September 2017. Output fell to a 29-month low of 46.6 (48.6 in October), while new orders and new export orders growth continued to slow, at 47 and 47.2, respectively. Meanwhile the output price index fell to a series-low of 46.4 from 50.4 last month, reflecting the recent drop in the official inflation rate.

Financial markets: GCC markets ended the week on a positive note, with the MSCI-GCC up 0.9% w/w, led by Qatar (2.1%) and Kuwait (1.9%). Kuwait may have been supported by positive speculation related to the MSCI inclusion scheduled for May 2020, to be confirmed later this month.

Key takeaways:

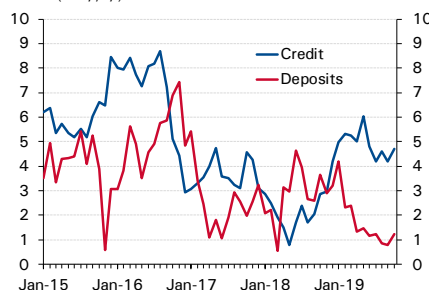
- The surprisingly strong US jobs numbers helped ease worries that the job market was cooling due to slowing demand and worker shortages – a trend which would bode poorly for economic growth. Together with robust consumer sentiment, prospects for household spending at year-end look solid.
- Fresh OPEC production cuts aim to reduce the expected crude stock build in 1Q20 and perhaps lift oil prices as Aramco starts to trade publicly. But the deal may not boost prices decisively longer-term in the event of producer non-compliance or if higher prices incentivize faster growth in US shale.
- Credit trends in Kuwait were encouraging in October with both business and household lending witnessing one of their best months this year. If this expansion pace is sustained, y/y credit growth in December 2019 will be close to 5.5%, the strongest annual expansion since 2015.

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



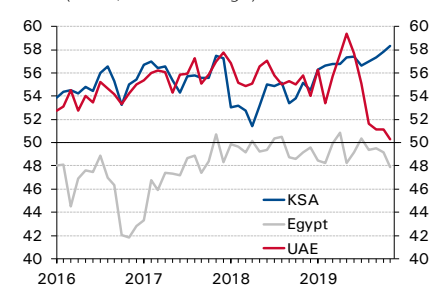
Source: Refinitiv

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



Source: Refinitiv

▶ **Chart 3: MENA PMIs** (index, 50=no change)



Source: IHS Markit

Key data

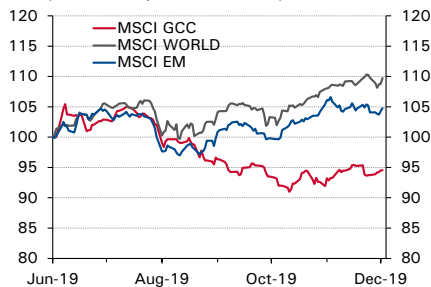
Stock markets				Bond yields				Interbank rates							
Index	Change (%)			%	Change (bps)			%	Change (bps)						
	1-week	YTD			1-week	YTD			1-week	YTD					
International															
CSI 300	3,902	1.9	29.6	UST 10 Year	1.84	6.7	-84.8	Bhivor - 3 month	2.72	-5.0	-123.3				
DAX	13,167	-0.5	24.7	Bunds 10 Year	-0.29	6.3	-53.7	Kibor - 3 month	2.75	0.0	43.8				
DJIA	28,015	-0.1	20.1	Gilts 10 Year	0.77	7.5	-49.5	Qibor - 3 month	2.32	1.6	-59.0				
Eurostoxx 50	3,692	-0.3	23.0	JGB 10 Year	-0.01	6.8	-1.3	Eibor - 3 month	2.21	10.7	-63.1				
FTSE 100	7,240	-1.5	7.6	Regional											
Nikkei 225	23,354	0.3	16.7	Abu Dhabi 2022	2.09	-3.8	-121.2	Abu Dhabi SM	5,047	0.3	2.7				
S&P 500	3,146	0.2	25.5	Dubai 2022	2.58	-1.8	-134.7	Bahrain ASI	1,547	1.3	15.7				
Commodities															
					\$/unit	Change (%)		Dubai FM	2,695	0.6	6.5				
						1-week	YTD	Egypt EGX 30	13,622	-1.6	4.5				
Brent crude	64.4	3.1	19.7	Kuwait 2022	2.19	5.0	-126.3	MSCI GCC	543	0.9	-50.6				
KEC	64.8	-0.5	24.1	KSA 2023	2.08	-5.0	-124.3	Kuwait SE	6,038	1.9	18.9				
WTI	59.2	7.3	30.4					KSA Tadawul	7,906	0.6	1.0				
Gold	1459.1	-0.4	14.1					Muscat SM 30	4,029	-0.9	-6.8				
								Qatar Exchange	10,358	2.1	0.6				

Exchange rates			
rate	Change (%)		
	1-week	YTD	
KWD per USD	0.303	-0.2	0.1
KWD per EUR	0.333	-0.1	-4.3
USD per EUR	1.106	0.4	-3.6
JPY per USD	108.6	-0.8	-0.9
USD per GBP	1.314	1.6	3.0
EGP per USD	16.10	0.2	-9.9

Updated on 6/12/2019 Source: Refinitiv

International equity markets

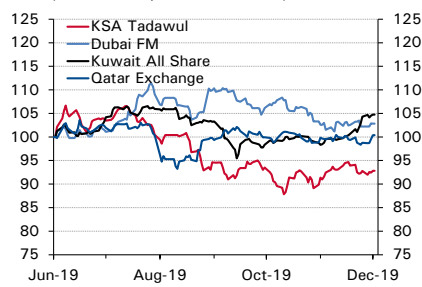
(rebased, 5 June 2019=100)



Source: Refinitiv

GCC equity markets

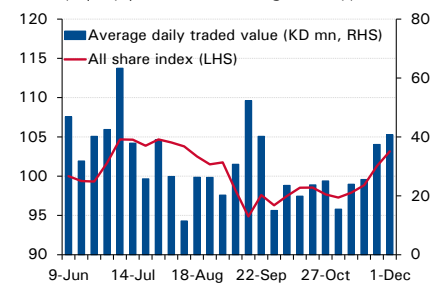
(rebased, 5 June 2019=100)



Source: Refinitiv

Boursa Kuwait

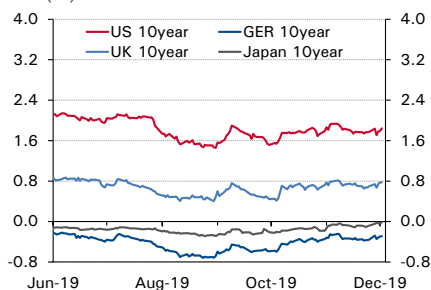
(equity prices and trading activity)



Source: Refinitiv

International bond yields

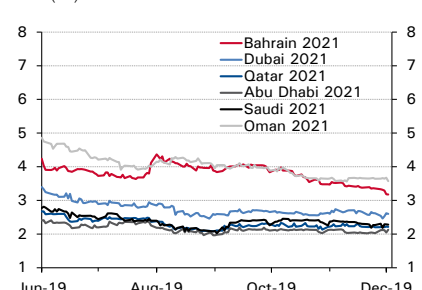
(%)



Source: Refinitiv

GCC bond yields

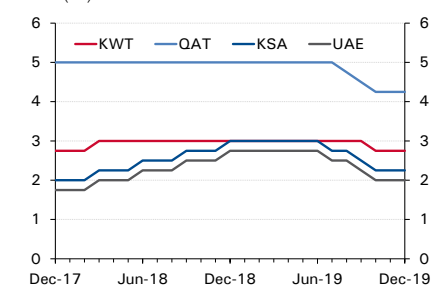
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv