

International

US: In a short week due to the Thanksgiving holiday (Thursday and Friday), GDP in 3Q19 saw growth revised up to an annualized 2.1% (from 1.9%), and compared to 2.0% in Q2. The pick-up was driven by a revision to private investment, which nonetheless still edged down by 0.1%, while private consumption – which accounts for around 70% of GDP – grew by an unrevised 2.9%. Meanwhile durable goods orders for October easily beat expectations by rebounding 0.6% m/m after declining in September, pointing to a more resilient investment performance than feared so far in Q4. Consumer spending also rose a solid 0.3% m/m in October, while core PCE inflation (the Fed's preferred inflation measure) edged down to 1.6% y/y from 1.7% in September. Finally, the slowdown in the housing market may be abating, with the Case-Schiller house price index in September rising 2.1% y/y for the third month in a row.

Financial markets: Global equities were positive with US stocks at record highs despite thin trading volumes given the Thanksgiving break. The MSCI AC world gained 0.7% w/w led by the S&P500 (1%) and Nikkei 225 (0.8%). Markets were also strong in November overall, with the S&P up 3.4% m/m.

Oil: Brent closed down 1.5% w/w at \$62.4/bbl on signs that the OPEC+ group would roll over rather than deepen production cuts. This comes amid expectations of weaker demand growth and robust non-OPEC supply growth in 2020. US crude production hit 12.9 mb/d (w/e 22 Nov) and records show that in September the country became a net oil exporter (monthly average basis) for the first time in seventy years.

MENA Region

Kuwait: Inflation eased to 1.5% y/y in October from 1.7% in September, while core inflation (which excludes food and housing) was unchanged at 3.2%. Softer inflation was driven by base effects, with prices overall flat on a monthly basis. Year-on-year inflation eased in food (1.3% from 1.8%), household goods (3.1% from 3.3%), while housing service deflation accelerated slightly to -0.9% y/y from -0.8% (no change in rents); these components comprise 61% of the CPI basket.

Saudi Arabia: The retail tranche's subscription in Aramco's IPO closed on Thursday. Some 4.9 million individuals put up as much as SAR 47.4 billion, leaving the offer 148% oversubscribed. Meanwhile, credit growth improved to 4% y/y in October from 3.7% in September, fueled by mortgage financing which had

surged by 33% y/y in September, contributing more than 80% of the overall yearly increase. However corporate lending remains muted, inching up by an estimated 1% y/y in September. Total deposits rose 4.7% y/y in October compared to a weak 2.4% increase in September.

UAE: Dubai's GDP grew by 2.1% y/y in the first half of 2019. Wholesale & retail trade and transportation, which contribute about 38% of GDP, rose by 3.3% and 6.2%, respectively, while real estate activity grew by 2.1%. Meanwhile, the UAE government has expanded the scope of its excise tax from December 1st to include sweetened drinks (at a rate of 50%) and e-cigarettes (100%).

Bahrain: S&P revised Bahrain's rating outlook up from stable to positive, thanks to the kingdom's progress on its fiscal consolidation program. The government expects its fiscal deficit to narrow from 6.3% of GDP in 2018 to 4.7% and 3.9% in 2019 and 2020, respectively. While Bahrain is rated non-investment grade, the upgrade should boost investor confidence.

Qatar: The authorities reported that North Field gas reserves were almost twice as large (1,760 trillion cubic feet) as previously thought and that as a result, two additional LNG expansion trains would be constructed to lift LNG output by 64% to 126 million tonnes by 2027.

Financial markets: GCC markets were mixed but negative overall. The MSCI GCC lost 1.6% w/w, dragged down by Saudi Arabia (2.5%) and Qatar (1.2%) – the former possibly related to the Aramco IPO. The Kuwait market rose a very solid 2.5%, continuing its strong year-to-date performance.

Key takeaways:

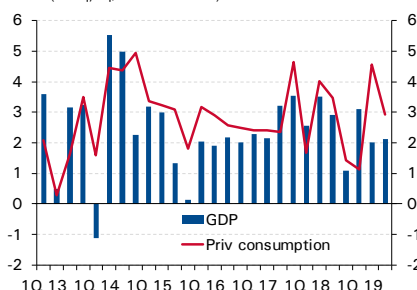
- The upward revision to US growth in Q3 pushing it above Q2 levels – together with still-solid consumer spending and an improving housing market – allays fears of a slowdown and offers some justification for the Fed's recent decision to hold off on further policy stimulus for the time being.
- The slowdown in inflation in Kuwait in October was the first softening in six months, having risen from a low of just 0.1% late last year on higher 'core' pressures. We expect inflation to end the year close to current levels and to remain below 2% for most of next year.
- Given the oversubscription, the retail tranche of Aramco's IPO closed successfully. The institutional tranche is already oversubscribed, but the challenge there is to generate sufficient demand at the top end of the range of SAR 30-32 per share.

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



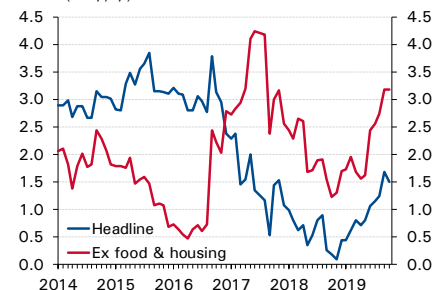
Source: Refinitiv

▶ **Chart 2: US GDP** (% q/q, annualized)



Source: Refinitiv

▶ **Chart 3: Kuwait inflation** (% y/y)



Source: Refinitiv

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,829	-0.6	27.2
DAX	13,236	0.6	25.4
DJIA	28,051	0.6	20.3
Eurostoxx 50	3,704	0.4	23.4
FTSE 100	7,347	0.3	9.2
Nikkei 225	23,294	0.8	16.4
S&P 500	3,141	1.0	25.3
Regional			
Abu Dhabi SM	5,031	-0.2	2.4
Bahrain ASI	1,527	1.4	14.2
Dubai FM	2,679	-0.2	5.9
Egypt EGX 30	13,849	-1.7	6.2
MSCI GCC	538	-1.6	-51.1
Kuwait SE	5,928	2.5	16.7
KSA Tadawul	7,859	-2.5	0.4
Muscat SM 30	4,064	-0.5	-6.0
Qatar Exchange	10,148	-1.2	-1.5

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.78	0.2	-91.5
Bunds 10 Year	-0.35	0.5	-60.0
Gilts 10 Year	0.70	-0.7	-57.0
JGB 10 Year	-0.08	0.0	-8.1
Regional			
Abu Dhabi 2022	2.12	-0.8	-117.4
Dubai 2022	2.60	-4.5	-132.9
Qatar 2022	2.14	-2.8	-131.3
Kuwait 2022	2.13	-0.4	-119.3
KSA 2023	2.46	1.0	-141.6
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	62.4	-1.5	16.0
KEC	65.3	-0.6	25.0
WTI	55.2	-4.5	21.5
Gold	1465.6	0.2	14.7

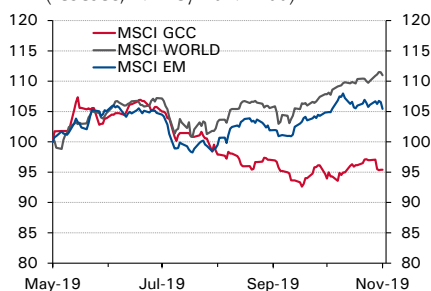
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.77	-1.7	-118.3
Kibor - 3 month	2.75	0.0	43.8
Qibor - 3 month	2.30	-2.5	-60.6
Eibor - 3 month	2.10	-9.8	-73.8
Saibor - 3 month	2.24	0.7	-73.8
Libor - 3 month	1.91	-0.3	-90.1
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.1	0.2
KWD per EUR	0.334	0.1	-4.1
USD per EUR	1.102	-0.1	-4.0
JPY per USD	109.5	0.8	0.0
USD per GBP	1.293	0.8	1.4
EGP per USD	16.07	0.1	-10.0

Updated on 29/11/2019

Source: Refinitiv

International equity markets

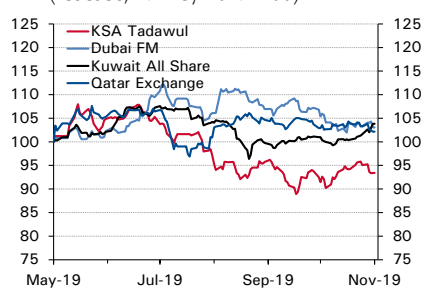
(rebased, 29 May 2019=100)



Source: Refinitiv

GCC equity markets

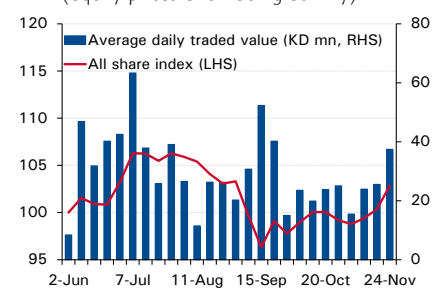
(rebased, 29 May 2019=100)



Source: Refinitiv

Boursa Kuwait

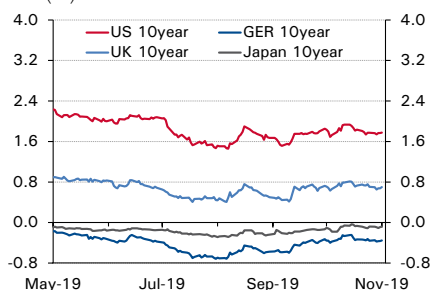
(equity prices and trading activity)



Source: Refinitiv

International bond yields

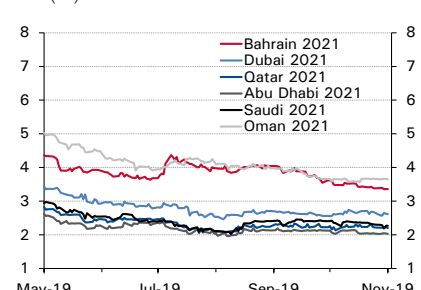
(%)



Source: Refinitiv

GCC bond yields

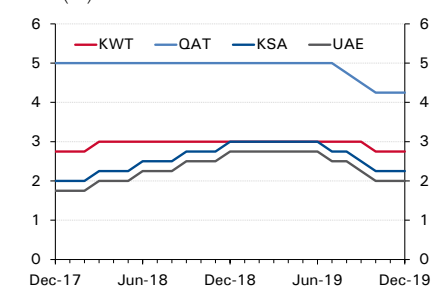
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv