

International and markets

US: The Fed's Beige Book (Jul-Aug) highlighted the negative impact on economic growth of the Delta variant as well as supply shortages that have restrained manufacturing output. The report mentioned "extensive labor shortages that were constraining employment", while inflation was said to be "steady at an elevated pace". Meanwhile, in August the producer price index was up by 8.3% y/y (+6.7% excluding food & energy), slightly exceeding expectations and possibly auguring further price pressure down the line. Finally, new jobless claims dropped by a higher-than-expected 35,000 in the w/e 4 Sept to hit a pandemic-era low of 310,000.

EU: The ECB will slow the rate of bond purchases (from €80bn per month since March) under its €1.85tn emergency pandemic purchase program (PEPP), ECB President Christine Lagarde announced last Thursday. This follows strong Eurozone growth and inflation amid advancing vaccination rates. Lagarde insisted that this move should not be seen as tapering, though.

UK: Economic growth lost momentum in July, with GDP barely growing (+0.1% m/m), due to supply chain constraints and staff shortages and output remains 2.1% below its pre-pandemic level. The government passed a health and social care levy (1.25% on employees' earnings, employers' payrolls and on dividends from April 2022) that should raise \$17bn a year (0.5% of GDP) to fund post-pandemic health and social care. The move not only broke a 2019 conservative manifesto pledge not to raise taxes but leaves Britain with the highest tax burden as a share of GDP since 1950.

China: China recorded its largest trade surplus since January (\$58.3 billion in August). Both exports (+25.6% y/y) and imports (+33.1% y/y) hit record levels, amid rising commodity prices and successful Delta variant containment measures.

Financial markets: Global equity markets were mostly negative, with the MSCI AC World Index down 1.1% w/w, weighed down by US stocks, which saw the steepest weekly declines since June. The S&P500 and DJIA lost 1.7% and 2.2%, respectively, as investors grew more cautious amid mixed economic data, a resurgent virus and an uncertain Fed tapering timeline. In contrast, the MSCI GCC rose 1.3% w/w amid higher oil prices, lifted by Abu Dhabi (+2.7% w/w). Kuwait's All-Share Index was little changed (-0.1% w/w).

Oil: Brent eked out a small gain last week, closing on Friday up 0.4% w/w to \$72.9/bbl (+40.8% ytd), helped by continued focus over oil supplies in the wake of Hurricane Ida (+1 mb/d of US offshore crude production was still shut-in as of Friday) and, in Libya, where protests at key oilfields halted oil operations.

MENA Region

Kuwait: Domestic credit increased in July (+0.4% m/m; +3.5% y/y) on continued expansion in household credit (+11.1% y/y). Credit to businesses saw a modest increase (+0.3% y/y). It was reported that the government plans to reduce ministry spending by at least 10% and increase fees on government services (where parliamentary approval is not required) to tackle the liquidity crunch. More cooperation with the private sector in development plan implementation was called for.

UAE: 50 new economic initiatives are being launched to attract \$150 billion in FDI over the next 9 years. In June, domestic credit fell 1.9% y/y on lower private sector credit (-2.6% y/y) and a moderation in credit to GREs (+2.5% y/y). Also, Abu Dhabi issued \$3bn in multi-tranche bonds (\$1.75bn in 10-yr at 63 bps over USTs and \$1.25bn in 30-yr at 3.0%).

Qatar: GDP fell in 1Q21 (-2.5% y/y; -1.1% q/q), with both the oil and non-oil sectors registering annual declines of 2.3% (+4.4% q/q) and 2.7% (-4.1% q/q), respectively.

Egypt: The rate of private sector contraction slowed in Egypt in August, with the PMI rising to 49.8 from 49.1 in July. This was due to a rebound in market activity and an increase in tourism numbers during the summer. Meanwhile, urban inflation accelerated to 5.7% in August from 5.4% in July, driven mainly by a 6.6% increase in food and beverage prices.

Key takeaways:

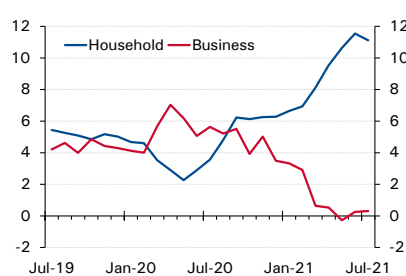
- While the Fed remains under pressure to start tapering its asset purchases amid sustained price pressures, softer economic activity is delaying that decision. We expect the Fed will announce a tapering timeline later this year.
- Kuwait's burgeoning household credit growth has been supported by the government's loan repayment holiday, which will, however, expire soon. With business credit growth tending to weaken in the second half of the year, we expect domestic credit to grow by just under 4% by year-end.
- With Egypt's inflation remaining within the target 7% (±2%) range, the CBE will likely keep policy rates unchanged (for the seventh time in a row) at its 16 Sept meeting; capital inflows remain supported by the relatively high interest rates.

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



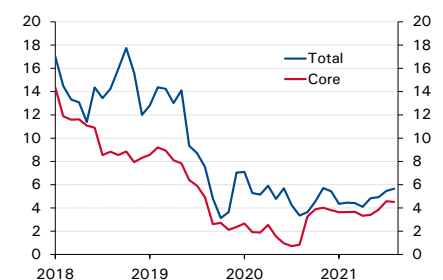
Source: Refinitiv

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



Source: Central Bank of Kuwait.

► **Chart 3: Egypt inflation** (% y/y)



Source: Central Bank of Egypt

Key data

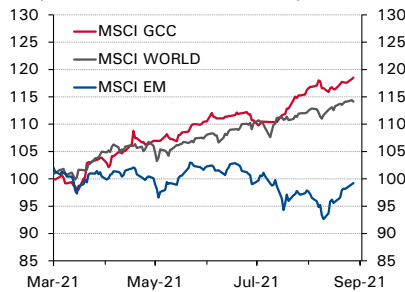
Stock markets	Index	Change (%)		Bond yields	%	Change (bps)		Interbank rates	%	Change (bps)									
		1-week	YTD			1-week	YTD			1-week	YTD								
International																			
CSI 300	5,014	3.5	-3.8	UST 10 Year	1.34	1.7	43.1	Bhibor - 3 month	1.56	-0.8	-69.2								
DAX	15,610	-1.1	13.8	Bunds 10 Year	-0.33	2.6	24.3	Kibor - 3 month	1.50	0.0	6.3								
DJIA	34,608	-2.2	13.1	Gilts 10 Year	0.76	4.2	56.3	Qibor - 3 month	1.15	5.0	2.9								
Eurostoxx 50	4,170	-0.8	17.4	JGB 10 Year	0.04	0.5	1.9	Eibor - 3 month	0.40	12.6	-11.1								
FTSE 100	7,029	-1.5	8.8	Regional															
Nikkei 225	30,382	4.3	10.7	Abu Dhabi 2022	0.41	8.7	-9.5	Qatar 2022	0.24	-16.3	-28.6								
S&P 500	4,459	-1.7	18.7	Dubai 2022	0.27	0.0	7.4	Kuwait 2022	0.33	-8.2	-13.4								
Regional																			
Abu Dhabi SM	7,861	2.7	55.8	KSA 2023	0.65	2.4	-6.4	Exchange rates											
Bahrain ASI	1,670	0.4	12.1	rate Change (%)															
Dubai FM	2,908	-0.2	16.7	1-week YTD															
Egypt EGX 30	11,056	-2.2	1.9	KWD per USD 0.300 0.0 -1.2															
MSCI GCC	713	1.3	30.3	KWD per EUR 0.363 0.0 -0.1															
Kuwait SE	6,810	-0.1	22.8	USD per EUR 1.181 -0.6 -3.3															
KSA Tadawul	11,418	0.9	31.4	JPY per USD 109.9 0.2 6.5															
Muscat SM 30	3,960	-0.4	8.2	USD per GBP 1.384 -0.2 1.2															
Qatar Exchange	11,100	0.3	6.4	EGP per USD 15.66 -0.1 -0.2															
Commodities																			
\$/unit Change (%)																			
1-week YTD																			
Brent crude 72.9 0.4 40.8																			
KEC 73.3 -0.6 44.7																			
WTI 69.7 0.6 43.7																			
Gold 1789.6 -2.3 -5.5																			

Updated on 10/9/2021

Source: Refinitiv

International equity markets

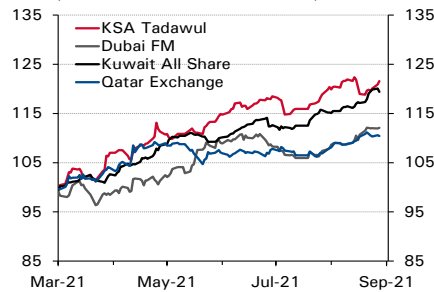
(rebased, 11 March 2021=100)



Source: Refinitiv

GCC equity markets

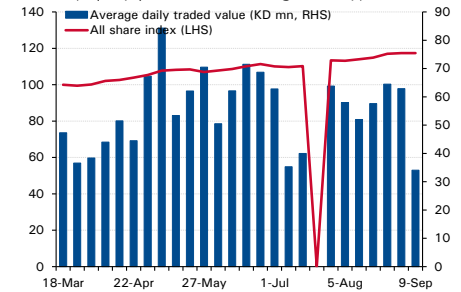
(rebased, 11 March 2021=100)



Source: Refinitiv

Bursa Kuwait

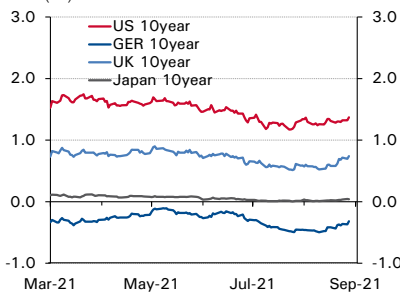
(equity prices and trading activity)



Source: Refinitiv

International bond yields

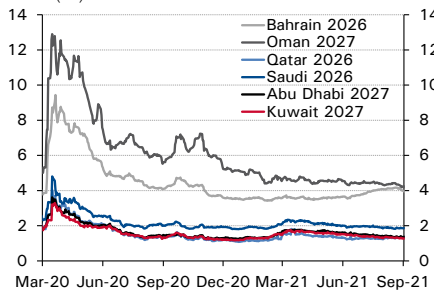
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Source: Refinitiv

GCC bond yields

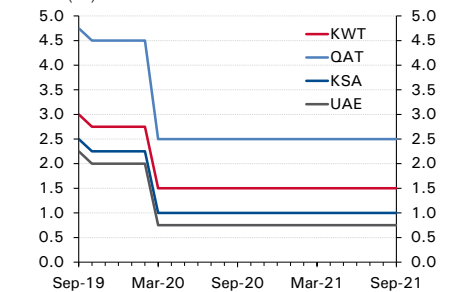
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv