

International and markets

Global: More than 130 countries agreed to set a minimum corporate tax rate of 15% for large firms as governments look to end tax havens that have drained domestic revenues. The tax still requires country-level legislation to be enacted, which may be challenging. But implementation could start from 2023.

US: Non-farm payrolls increased by 194k in September, missing consensus expectations (475k) by a wide margin. Nevertheless, the August number was revised materially higher (from 235k to 366k), the unemployment rate dropped from 5.2% to 4.8%, and average hourly earnings increased by a relatively high 0.6% m/m, indicating a tightening labor market. Meanwhile, a deal was struck in Congress to increase the debt ceiling by \$480bn, pushing the estimated ceiling breach date from 18 October to 3 December, with the House expected to confirm that increase in a vote this Tuesday. Finally, given opposition from some moderate Democrats, the spending bill, which was originally slated to be \$3.5tn will likely fall to around \$1.9-2.2tn as President Biden told a group of House progressives.

China: Faced by soaring coal prices, authorities have ordered state-owned miners to continue production and banks to increase funding towards energy firms. Furthermore, the government is releasing Australian coal from storage in bid to ease the national power crunch. Meanwhile, China's foreign exchange reserves fell to \$3.201 trillion in September, below market forecasts and registering their lowest levels since April.

Financial markets: Global markets were mostly positive (MSCI ACWI 0.7%, DJIA 1.2% w/w) amid easing US debt ceiling and European gas shortage concerns, though curbed by a weaker than expected US jobs report on Friday. The US treasury yield rose to a multi-month high of 1.6%. GCC markets were mixed, with KSA up 0.8% w/w and Kuwait little changed (0.3%).

Oil: Brent settled at \$82.4 (+3.9% w/w; +59.1% ytd) on Friday for a fifth consecutive week of gains, after OPEC+ surprised the markets by keeping its monthly output increase steady at 400 kb/d rather than raising it to ease market tightness. Prices also gained after the US said it had no plans currently for further crude drawdowns from the Strategic Petroleum Reserve.

MENA Region

Kuwait: The board of Kuwait Petroleum Corporation approved the merger of several of its oil entities, including KOC and KGOB in the upstream extraction sector and KNPC and KIPIC in the

downstream processing sector. The Ministry of Finance has instructed all government agencies to look into linking more closely the remuneration of board members to performance, in a bid to control public spending and improve performance outcomes. Meanwhile, household credit expanded at the fastest monthly pace in nearly a year with y/y growth at a strong 11.2%, leading to a 3.8% y/y increase in total credit while business credit remained muted.

Saudi: The PMI climbed to a six-year high of 58.6 in September (54.1 in August), with the 4.5 point monthly increase the highest since survey data were first collected 12 years ago. Meanwhile, the value of POS transactions soared 25% w/w, breaching SAR11bn for only the second time this year.

UAE: The PMI reached 53.3 in September on improving business conditions ahead of Expo 2020 and amid the relaxation of pandemic-related measures. Meanwhile, the UAE government issued its first federal debt. The multi-tranche issue included a \$1 billion 10-year at 70 bps over US treasuries (UST), a \$1 billion 20-year at 105 bps over UST, and \$2 billion in 40-year Formosa bonds at 3.25%.

Egypt: The PMI stood below 50 for the tenth month in a row in September, at 48.9 from 49.8 in August, as weaker consumer demand caused a drop in new orders and output. Meanwhile, the central bank announced the amendment of some conditions of the real estate mortgage initiative to provide loans to citizens, whose monthly income reaches EGP 40,000 for singles and EGP 50,000 for the family, at an interest rate of 8%.

Key takeaways:

- While the increase in US payrolls was relatively weak in September, we think that will not sway the Fed from announcing a tapering timeline in its upcoming meeting on 3 November, given prior Fed comments, the inflation outlook, and a tightening labor market.
- The oil market continues to tighten as the gas shortage encourages gas-to-oil switching, while OPEC+ has not been able to meet its own +400 kb/d monthly supply increase target. Price pressures could also be reinforced by seasonally low northern hemisphere energy stock levels.
- In Kuwait, reports indicate that the National Dialogue is proceeding as planned, and if successful could result in the reboot of relations between the government and parliament. This in turn may improve economic reform prospects, including restructuring the public sector, expediting the privatization process and approval of the crucial debt law.

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



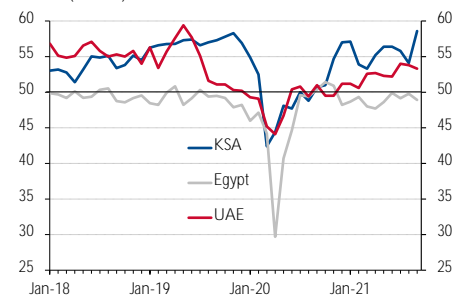
Source: Refinitiv

▶ **Chart 2: US unemployment rate** (% y/y)



Source: Refinitiv

▶ **Chart 3: MENA region PMIs** (Index)



Source: IHS Markit

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,930	1.3	-5.4
DAX	15,206	0.3	10.8
DJIA	34,746	1.2	13.5
Eurostoxx 50	4,073	0.9	14.7
FTSE 100	7,096	1.0	9.8
Nikkei 225	28,049	-2.5	2.2
S&P 500	4,391	0.8	16.9
Regional			
Abu Dhabi SM	7,709	0.1	52.8
Bahrain ASI	1,700	-0.3	14.1
Dubai FM	2,772	-2.6	11.3
Egypt EGX 30	10,536	0.2	-2.8
MSCI GCC	729	1.0	33.3
Kuwait SE	6,884	0.3	24.1
KSA Tadawul	11,591	0.8	33.4
Muscat SM 30	3,962	0.5	8.3
Qatar Exchange	11,535	0.4	10.5

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.61	14.7	70.0
Bunds 10 Year	-0.15	7.2	42.8
Gilts 10 Year	1.16	15.7	96.5
JGB 10 Year	0.08	3.0	5.9
Regional			
Abu Dhabi 2022	0.49	9.8	-0.8
Dubai 2022	0.27	0.0	7.4
Qatar 2022	0.33	-18.2	-18.9
Kuwait 2022	0.46	-9.7	0.0
KSA 2023	0.71	-3.4	-1.2
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	82.4	3.9	59.1
KEC	82.4	4.9	62.8
WTI	79.4	4.6	63.5
Gold	1756.3	0.0	-7.2

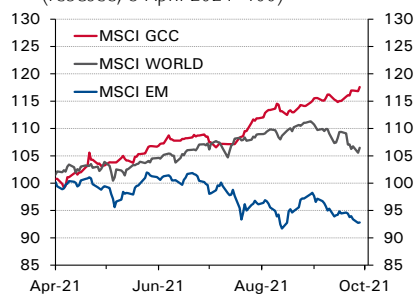
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhivor - 3 month	1.55	0.0	-70.0
Kibor - 3 month	1.50	0.0	6.3
Qibor - 3 month	1.15	0.0	2.9
Eibor - 3 month	0.35	3.1	-15.8
Saibor - 3 month	0.81	0.3	-0.6
Libor - 3 month	0.12	-0.6	-11.5
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.301	0.0	-0.8
KWD per EUR	0.363	0.0	-0.1
USD per EUR	1.157	-0.2	-5.3
JPY per USD	112.2	1.1	8.7
USD per GBP	1.361	0.5	-0.5
EGP per USD	15.65	-0.3	-0.3

Updated on 8/10/2021

Source: Refinitiv

International equity markets

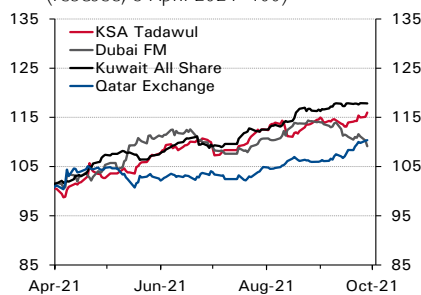
(rebased, 8 April 2021=100)



Source: Refinitiv

GCC equity markets

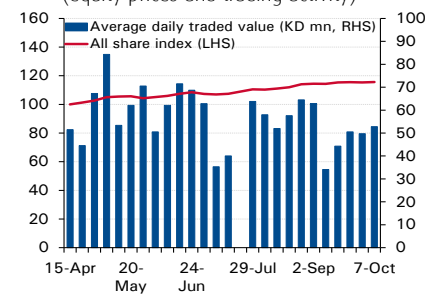
(rebased, 8 April 2021=100)



Source: Refinitiv

Boursa Kuwait

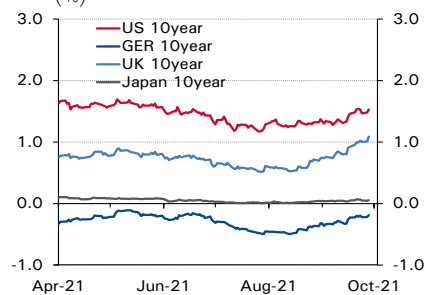
(equity prices and trading activity)



Source: Refinitiv

International bond yields

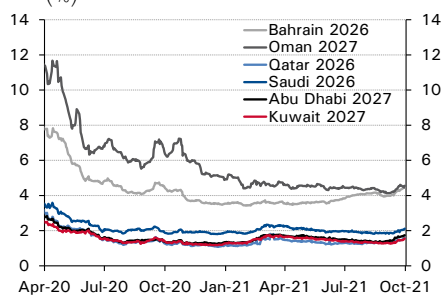
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Source: Refinitiv

GCC bond yields

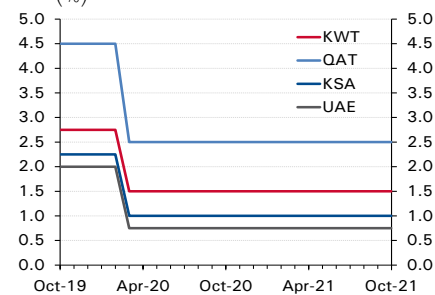
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv