

# EYES ON MARKETS

## GLOBAL MARKETS

Despite the quick recovery of the global economy, a great degree of dispersion remains across countries. Taken together, the easy part of this uneven global economic recovery appears to be over. By end-2022, growth should stabilise as the change of the fiscal policy impulse in the US turns less favourable, and monetary policy starts to normalise.

The transitory spike in inflation is pressuring Central Banks. COVID-related disruptions are unlikely to persist, however, as goods demand is now moderating. But still strong global growth next year will cause global inflation to remain above its average for the past decade. As medium-term upside inflation risks increase in DM, policy normalisation in EM outside of China - where easing is in fact on the cards - is signalling a shift toward pre-crisis norms.

The recent concerns on China should not prevent policymakers from backstopping the system, if necessary, as most of the slowdown in activity is already behind us, and policy loosening there should act as a stabilising factor.

While in the very short-term the market outlook still appears to be clouded by the US debt ceiling fractious debate and the increases in energy prices, we reiterate our stance to add risk on any significant and tradable consolidation on a 3-6 months' time horizon. We expect EM to start performing better into year end, focussing on EM ex China, as China regulatory uncertainty is not going away soon, in our view.

## REGIONAL MARKETS

YTD S&P Shariah GCC Total Return Index (SPSHGT) was up 35.60% wherein Saudi Arabia and Kuwait were the outperformers i.e. up by 39.6% and 35.7% respectively. Oman, Qatar, Bahrain and UAE were the under-performers generating returns of 3.9%, 13%, 22.7% and 30.8% respectively.

S&P Saudi Shariah SAR Total Return Index (SPSHSART Index) increased YTD by 39.6% as cumulative inflows in the Net Foreign Portfolio Investment (NFPI) exceeded at USD4.4bn. Local cement sales recorded 3.9% YoY growth YTD, PMI for September 2021 increased to 58.6 from 54.1 in August, banking deposits grew 8.9% YoY in August 2021 vs 11.1% in July 2021, inflation decreased to 0.3% vs 0.4% in July and value of POS + ATM transactions per terminal decreased by 13.3% YoY in August vs -19.8% in July.

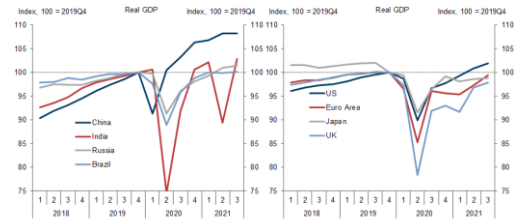
Saudi male unemployment decreased to 6.1% in 2Q 2021 vs 7.2% in 1Q 2021. 2Q 2021 GDP growth was revised upward from 1.5% to 1.8% on the back of stronger non-oil GDP growth (8.4%); simultaneously, per capita GDP registered 28% growth YoY for the same period. Moreover, S&P projected average annual GDP growth for KSA from 2021-2024 at 2.4% and maintained the rating and outlook.

YTD GCC markets mainly UAE, Qatar and Kuwait registered USD3,471mn worth of inflows from NFPI. UAE Central bank estimates 2021 GDP growth to reach 2.1% while 2022 forecast is at 4% in line with IMF estimates. Dubai announced to pump in USD18bn in domestic housing sector while easing visa rules and recording 31% YoY increase in non-oil trade for 1H 2021. Qatar announced integrated public transport network under the brand name "Sila" while S&P upgraded its outlook to positive owing to global gas price surge. Kuwait announced 54% completion of new airport and Bahrain announced VAT hike in the wake of Saudi decision earlier.

Brent increased by 7.6% in September, while MSCI Emerging Market Index declined by 4.2% and MSCI World Index registered -4.3% return. 2 new IPOs were announced during the month in Saudi Arabia i.e. STC Solution and ACWA Power. Due to global supply synchronization issues Bloomberg Commodity TR Index jumped 5% during the month reaching 5-year highs stoking global inflation.

The economic slow-down that we have been expecting in 2Q 2021 got spread over 3Q 2021 also. Commodity price run is expected to initiate southwards journey rather sharply sometime in the coming few months and oil price may maintain upward trajectory subject to OPEC+ controlling the production increase. Regionally, we may expect some fiscal expansionary measures in the 4Q 2021 as fiscal performance exceeds expectations significantly. Market is likely to remain upbeat on the back of series of new IPOs, oil prices and commodity price runup. However, a sharp "V" may be experienced if global markets/commodities halt their northwards journey suddenly.

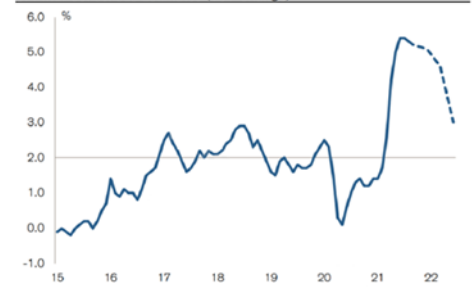
## Global Growth – Uneven And Uneasy



Source: (Goldman Sachs)

## US Inflation – Up, Down and Above

CPI with Consensus Estimates (YoY Change)



Source: Credit Suisse

## US Equities – As Long As It Lasts

Percent Change in S&P 500 Index, EPS and P/E



Note: Both PE and EPS are on NTM basis

Source: Credit Suisse

## GLOBAL MARKET INDICES

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2018 (%)	2019 (%)	2020 (%)
World	DJIM World TR	8908.0	0.7	10.9	21.8	26.5	18.4	16.7	13.5	(7.0)	30.9	28.2
Developed	DJIDEV TR	4972.0	0.6	12.7	23.7	27.1	18.7	17.2	14.1	(6.1)	31.6	27.4
Emerging Markets	DJIEMG TR	5929.0	1.2	(2.0)	7.1	22.5	16.6	12.8	8.5	(15.0)	22.7	35.3
Saudi	TASI	11591.3	0.8	32.3	38.7	22.6	13.6	16.1	6.6	8.3	7.2	4.4
NAREIT	All REITS (EM Inc) TR	3233.4	0.7	13.5	22.7	3.3	7.6	6.4	8.9	(5.5)	23.6	(9.2)
GSCI	All Commodities	576.9	3.4	40.9	60.7	20.2	5.3	9.2	(0.5)	(15.4)	16.5	(6.1)
Currencies	Euro	1.1569	(0.1)	(5.3)	(1.6)	2.8	0.2	0.6	(1.4)	(4.5)	(2.2)	8.9
	Yen	112.24	(0.8)	(8.0)	(5.5)	(2.3)	0.3	(1.7)	(3.7)	2.7	1.0	5.2
	GBP	1.3615	1.0	(0.4)	5.2	5.6	1.3	1.1	(0.0)	(5.6)	3.9	3.1

Source: Global Data as end of 08 Oct 2021. Saudi Market Data as end of 09 Oct 2021.

\* All values beyond 1 year are annualized

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