Equities slip into ‘red’ on Wall Street, giving up an early gain

A man walks by an electronic stock board of a securities firm in Tokyo, Wednesday, Oct 13, 2021. Shares were mixed in Asia on Wednesday after an up-and-down day on Wall Street ended with most benchmarks lower as traders waited for updates on inflation and corporate earnings. (AP)

Banks among the heaviest weights on market

NEW YORK, Oct 13, (AP): Stocks edged mostly lower on Wall Street Wednesday after giving up an early gain.

The S&P 500 fell 0.2% as of 11:33 a.m. Eastern. The benchmark index could be headed for its fourth straight decline. The Dow Jones Industrial Average fell 195 points, or 0.6%, to 34,186 and the Nasdaq rose 0.2%.

Banks were among the heaviest weights on the market. JPMorgan Chase fell 2.2% after its latest earnings showed that the bank struggled to grow revenues with interest rates at near-zero levels. Falling bond yields also weighed on the sector, which relies on higher yields to charge more lucrative interest on loans.

The yield on the 10-year Treasury fell to 1.55% from 1.58% late Tuesday.

Industrial stocks also fell broadly. Delta Air Lines shed 4.6% after warning investors that rising fuel prices will challenge its ability to remain profitable. It also forecast higher labor costs.

Materials makers and a mix of companies focusing on consumer goods and services held up better than the rest of the market.

The latest update on inflation was mostly taken in stride. Consumer prices rose 5.4% in September from a year ago, matching the highest rate since 2008. The figure is slightly higher than economists expected. A wide range of businesses have been dealing with supply chain disruptions and delays amid rising demand for goods, and many have warned that will increase costs and crimp their financial results.

Many companies have been raising prices to offset higher shipping and raw materials costs. Analysts are concerned that rising prices could stall consumer spending, the key driver for economic growth. The latest report from the Labor Department showed that the costs of new cars, food, gas, and restaurant meals all jumped in September.

Investors will get more data on consumer spending on Friday when the Commerce Department reports retails sales for September.

More big banks are scheduled to release earnings this week. Bank of America, Wells Fargo and Citigroup will follow with their latest quarterly results on Thursday. Corporate earnings reports will ramp up after this week and analysts have said that might help show investors a clearer path ahead in what has been a choppy market.

Stocks fell in Paris, London, Tokyo and Sydney but rose in Shanghai and Frankfurt.

Prices for oil and other energy have surged recently along with costs of other commodities. Shortages of semiconductors have meanwhile slowed output of many high-value industrial goods such as cars and consumer electronics.

Germany’s DAX gained 0.3% to 15,197.28 while the CAC 40 in Paris slipped 0.2% to 6,537.59. Britain’s FTSE 100 lost 0.4% to 7,101.10.

In Asia, shares rose in Shanghai after customs data showed exports rose in September, though imports rose at a much slower pace. The Shanghai Composite index jumped 0.4% to 3,561.76.

Tokyo’s Nikkei 225 index fell 0.3% to 28,140.28 and the S&P/ASX 200 in Sydney edged 0.1% lower to 7,272.50. Seoul’s Kospi gained 1% to 2,944.41.

Hong Kong’s markets were closed as a precaution due to an approaching typhoon.

China’s producer price index is due out on Thursday. Economists have forecast a surge of more than 10% year-on-year, up from 9.5% in August.

The customs data released Wednesday showed China’s exports rose 28.1% in September to $305.7 billion. That was slightly faster than the 26% increase logged in August, and better than economists’ forecasts. Imports rose 17.6% to $240 billion, less than the previous month’s 33%.

The yield on the 10-year Treasury fell to 1.57% from 1.60% late Friday. The bond market was closed on Monday for Columbus Day.

Markets have been choppy for weeks as investors try to figure out how the economy will continue its recovery with COVID-19 remaining a threat and rising inflation potentially crimping consumer spending and corporate finances.

The IMF said Tuesday it foresees global growth this year of 5.9%, compared with a projection for 6% growth made in July. It said the change reflected the persistence of supply chain disruptions in industrialized countries and deadly disparities in vaccination rates between rich and poor nations.

The coming round of earnings reports will give Wall Street a clearer picture of how companies fared in the most recent quarter amid a surge in COVID-19 cases. It will also shed some light on how they expect to perform through the rest of the year.

S&P 500 companies are expected to post 27.6% annual earnings growth for the July-September quarter, according to FactSet. That’s down from 28.1% growth estimated by analysts in July.

JPMorgan Chase will kick off earnings for banks on Wednesday. Bank of America, Wells Fargo and Citigroup will follow with their latest quarterly results on Thursday.

In other trading, US benchmark crude oil lost 17 cents to $80.47 per barrel in electronic trading on the New York Mercantile Exchange. It gained 12 cents to $80.64 per barrel on Tuesday.

Brent crude, the international standard, declined 20 cents to $83.22 per barrel.

The U.S. dollar slipped to 113.52 Japanese yen from 113.59 yen late Tuesday. The euro rose to $1.1560 from $1.1530.

Deere workers prepare for strike

MOLINE, Ill. , Oct 13, (AP): More than 10,000 Deere & Co. workers appear ready to go on strike if negotiators can’t deliver a new agreement by the end of Wednesday.

The United Auto Workers union has said its members would walk off the job if no deal has been reached by 11:59 p.m. The vast majority of the union rejected a contract offer earlier this week that would have delivered 5% raises to some workers and 6% raises to others.

Thirty-five years have passed since the last major Deere strike, but workers are emboldened to demand more this year after working long hours throughout the pandemic and because companies are facing worker shortages.

Chris Laursen, who works as a painter at Deere, told the Des Moines Register that he thinks a strike is imminent and could make a significant difference.

“The whole nation’s going to be watching us,” Laursen said to the newspaper. “If we take a stand here for ourselves, our families, for basic human prosperity, it’s going to make a difference for the whole manufacturing industry. Let’s do it. Let’s not be intimidated.”

Earlier this year, another group of UAW-represented workers went on strike at a Volvo Trucks plant in Virginia and wound up with better pay and lower-cost health benefits after rejecting three tentative contract offers.

The contracts being under negotiation cover 14 Deere plants across the United States, including seven in Iowa, four in Illinois and one each in Kansas, Colorado and Georgia.

Macroeconomic Outlook 2022-2024
Economic Research Department I 13 October 2021

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Kuwait

Kuwait’s economy is gradually emerging from the pandemic, with consumption leading the rebound amid markedly higher oil prices. Oil production is increasing steadily as per the OPEC+ schedule, providing a welcome boost to oil GDP. Corporate activity and employment growth is a notable soft spot, though. Following a succession of fiscal deficits, the near-depletion of liquid assets in the GRF has heightened liquidity risks, but also focused policymakers’ minds on fiscal sustainability and macroeconomic reforms.

Private consumption has led the economic rebound...

Kuwait’s economy is slowly recovering from last year’s pandemic, a year that was characterized by severe curtailments in private consumption and government investment spending, business closures, expatriate layoffs and a sharp fall in oil prices. GDP contracted by 8.9%, the steepest decline since 2009, with the oil and non-oil sectors both shrinking by about 8.9% amid deep OPEC+ oil output cuts, curfews and limited fiscal policy support. (Chart 1.) Growth prospects have improved, however, underpinned by higher oil prices and a successful vaccine rollout. Domestic demand has led the recovery, with the most recent data releases showing robust growth in consumer spending (Knet; +23% y/y) and household credit (+11% y/y). (Chart 2.) Project activity is also slated to accelerate as the government prioritizes major road, hospital and airport infrastructure projects.

...while private sector business activity has lagged

Corporate activity has lagged, though, weighed down by the uncertain business, regulatory and political environment. Reflecting the challenging landscape, credit growth to businesses in 2021 has been lackluster (+0.3% y/y in August). The labor market has also been in flux, following the departure of thousands of mainly low-skilled expatriates during the pandemic, while the employment of nationals in the private sector has retreated from 2019 levels (-2.7% to 62,296 in 1H21). The authorities will be keen to reverse this trend; they also envisage greater business participation in the development plan.

OPEC+ cuts unwinding, refining gains to boost growth

The OPEC+ decision to ease output cuts to satisfy rising global oil demand will allow Kuwait to lift crude production and boost oil sector GDP, probably by about 4.4% y/y on average in 2022-24. Oil producers will be mindful of oversupplying the market, so output gains will be moderate. (Chart 3.) The full commissioning of the Clean Fuels and Al-Zour refinery projects, which will have effectively doubled Kuwait’s refining capacity, will lead to incrementally higher output of more valuable refined products over the forecast period—boosting non-oil GDP (under which they are recorded in the national accounts) by about 0.9% pts to 3.2% on average. Headline GDP growth should average 3.9%.

Inflation up on supply chain woes and rising food prices

Inflation nearly doubled to 2.1% in 2020 on the back of supply-chain pressures, higher international food prices and pent-up consumer demand. (Chart 4.) Inflation could average 2.6% this year before slowing in 2022. A VAT of 5% could be introduced in 2023, which will lead to a spike in prices that year. Monetary policy will remain accommodative but tighten slightly over the forecast period as the US Fed slowly lifts interest rates.

A record fiscal deficit in 2020, spending restraint likely

The twin shocks of Covid-19 and low oil prices caused Kuwait’s fiscal deficit, its 6th in a row, to swell to a record KD10.8bn (33% of GDP) in FY20/21. (Chart 5.) Revenues declined sharply (-39% to KD10.5bn), while expenditures grew marginally (+0.7% to KD21.2bn). Cutbacks in capital spending helped offset some other outlay increases—mainly Covid-related. Looking ahead, while the FY21/22 budget is expansionary, we see spending restraint as more probable. The government appears serious in looking for cost-efficiencies, with a flurry of reports on deliberations over ministry budget cuts, fee increases, and even subsidy cuts. A large restructuring of the public sector was also recently proposed. Our base case view sees the most politically sensitive reforms taking time to materialize, but some non-oil revenue augmentation, limited initially to excise duties and VAT (worth up to 1.5% of GDP), is projected by 2023. We expect the fiscal deficit to halve this year to around KD4.2bn (10.3% of GDP), before narrowing further to 9.5% of GDP by 2024.

Higher liquidity risk forces focus on fiscal sustainability

In an era of fiscal deficits, financing has become the critical issue for policymakers, especially given the near depletion of the General Reserve Fund (GRF) and the absence of debt issuance (due to legislative impasse). Near-term liquidity risks have risen and so has the imperative of a comprehensive deficit-financing strategy, as cited by S&P in its July downgrade of Kuwait’s credit rating to A+ (still solid investment grade). Asset swaps with the massive Future Generations Fund and accrued dividends restructuring with KPC have, along with higher oil prices, helped inject liquidity to the GRF. These are only stop-gaps, though. Kuwait also has a $3.5bn Eurobond maturing in early 2022. Ultimately, we do expect a new debt law to be approved over the coming months.

With around $700bn in SWF assets (KIA) and very low public debt (12% of GDP), Kuwait easily has the financial resources needed to meet its obligations, but also, it is hoped, the space to gradually phase-in the structural reforms needed to reconfigure the economy, boost the role of the private sector and navigate the global energy transition away from fossil fuels.

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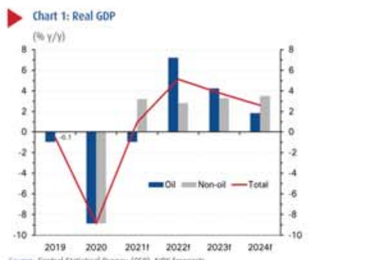
Table 1: Key economic indicators

		2020e	2021f	2022f	2023f	2024f
Nominal GDP	$ bn	106	129	134	140	145
Real GDP	% y/y	-8.9	1.0	5.1	3.8	2.6
- Oil sector	% y/y	-8.9	-1.0	7.2	4.2	1.9
- Non-oil sector*	% y/y	-8.8	3.2	2.8	3.3	3.5
Budget balance (FY)	% of GDP	-33.2	-10.3	-14.2	-11.4	-9.5
Current act. balance	% of GDP	21.1	26.3	23.4	22.5	23.1
Inflation	% y/y	2.1	2.6	2.1	3.8	1.9

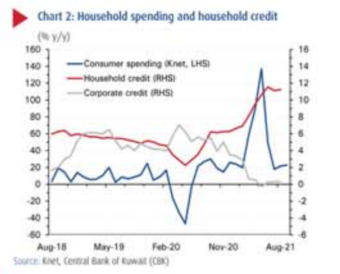
Source: Official sources, NBK forecasts * Includes refining

Chart 1: Real GDP



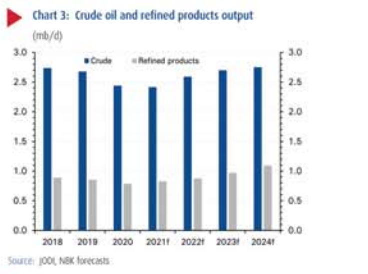
Source: Central Statistical Bureau (CSB), NBK forecasts

Chart 2: Household spending and household credit



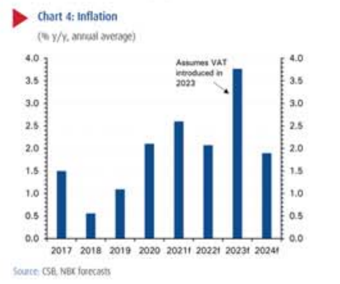
Source: Knet, Central Bank of Kuwait (CBK)

Chart 3: Crude oil and refined products output



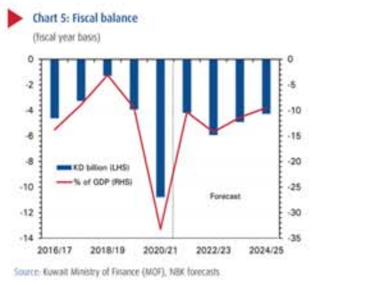
Source: JODI, NBK forecasts

Chart 4: Inflation



Source: CSB, NBK forecasts

Chart 5: Fiscal balance



Source: Kuwait Ministry of Finance (MOF), NBK forecasts

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Optiver launches investment initiative

CHICAGO & AMSTERDAM, Oct 13, (Agencies): Optiver has announced the launch of its corporate strategic investment initiative, Optiver Principal Strategic Investments (PSI). Optiver has been committed to improving global financial markets at every stage, for all parties involved. Through Optiver PSI, the firm seeks to build upon this mission by partnering with entrepreneurs shaping the financial markets of the future.

Historically, Optiver has been focused on its core activity of making markets in listed derivatives and equities. Through competitive pricing, execution and risk management, the firm’s 1300+ employees have remained steadfast in their shared commitment to improving the market. In recent years, the company has become increasingly outward looking throughout its global expansion. Optiver Principal Strategic Investments is therefore a natural evolution of the firm’s mission to shape financial markets of the future at increasing scale.

“More than ever before, Optiver is taking a proactive approach to seeing how partnering with external entrepreneurs and founders can further our overall mission to improve the markets,” said Jan Boomaars, Optiver Group CEO. “We are eager to discover and support the most innovative and impactful projects - not only in finance, but also in IT, blockchain and beyond. Our goal is to provide long-term guidance, mentorship and resources from true industry veterans.”

Drawing on deep market structure experience, Optiver PSI will be investing capital as well as its most precious resource - its people - into ideas spanning the full spectrum of FinTech, IT Infrastructure and Digital Assets. The initiative also provides access to Optiver’s invaluable network, which encompasses the leaders of today’s financial markets and infrastructure providers.

As part of a proprietary trading firm solely trading and investing its own capital, Optiver’s PSI team has the flexibility to partner with the most promising and relevant entrepreneurs - without specific size or return mandates. Optiver PSI seeks budding businesses with a clear connection and long-term innovation potential for its core business.

Hasbro CEO & Chairman Brian Goldner dies at 58

NEW YORK, Oct 13, (AP): Brian Goldner, who as CEO and chairman spearheaded Hasbro’s transformation from a toy company to an entertainment force, has died. He was 58.

The announcement Tuesday came two days after the Pawtucket, Rhode Island, company said Goldner was taking a medical leave of absence.

Hasbro did not give a cause of death, but Goldner disclosed in August 2020 that he had been undergoing treatment for cancer since 2014.

Goldner, who joined Hasbro in 2000, served as the CEO of Hasbro Inc. since 2008, and as chairman since May 2015.

Under his stewardship, Hasbro expanded beyond toys and games into television, movies, digital gaming and other areas. That strategy culminated with the 2019 acquisition Entertainment One Ltd., a British entertainment company that produces “Peppa Pig,” “PJ Masks” and other animated shows for preschoolers.

Goldner also served on the board of ViacomCBS.

Marc Rosenberg, a toy consultant who closely worked closely with Goldner as a marketing executive at Hasbro 15 years ago, said that Goldner was always interested in telling a story about toys and went to the archives to pull out such brands as My Little Pony, Transformers and the Littlest Pet Shop.

“His idea was to take brands that had been sitting dormant and reimagine them,” he said. “He always said you have to have a story arc, whether it is toys or movies.”

When Hasbro announced Goldner’s medical leave, it said that Rich Stoddart, most recently the lead independent director of the company’s board, had been appointed as interim CEO. Stoddart was previously CEO at marketing company InnerWorkings Inc. and Leo Burnett Worldwide. He has served on Hasbro’s board since 2014.

Cash prizes worth KD250 for 10 winners each month

KFH Announces Winners of “Win with Hesabi” draw

Kuwait Finance House (KFH) announced the winners of the 10th draw of “Win with Hesabi” campaign that offers 3 Jeep Wrangler Sport cars and cash prizes worth KD250 for 10 winners each month.

The draw was held at KFH Headquarters under the supervision of the Ministry of Commerce and Industry.

The winners are: Hanan Al-Sulaili, Shaikha Al-Sulaiteen, Fatima Al-Hajri, Muneera Al-Sharaf, Aydah Al-Saqer, Fajer Al-Muhjan, Amal Nasser, Abdulrahman Al-Kandari, Amnah Al-Hajri, Abdulrahman Al-Fadli.

This campaign comes as part of KFH continuing efforts to add value to Hesabi customers including advantages, discounts, prizes, and exclusive rewards.

Once the social allowance is transferred to Hesabi program, customers enter the monthly draw on 10 prizes of KD250 each, in addition to 3 special draws on Jeep Wrangler Sport cars.

KFH offers “Hesabi for Youth” with a variety of privileges as part of its continued endeavor to provide adequate customer care, innovate new products and services and fulfill the needs of all customers of various age categories and interests. Services and products are tailored to suit customers’ needs and provide distinguished service as per global standards regarding quality, accuracy and speed.

Hesabi” program has been designed to meet the needs of youth and aspire for their active lifestyle. This program presents for youth many exclusive offers and a wide range of privileges including Hesabi ATM card with a unique design, eligibility to issue Hesabi prepaid card (as per credit regulations of KFH), distinguished offers and discounts etc.

KFH continues to launch marketing campaigns to reward youth customers. Hesabi for Youth represents the ambitions and expectations of youth category and copes with KFH aspirations to attract the largest portion of youth who represents a major part of Kuwaiti society. Also, the account represents KFH initiative to diversify banking services and products.