

## International

**US:** GDP growth for 2Q19 was revised down a touch to an annualized 2.0% from 2.1% previously and 3.1% in Q1, despite an upgrade to consumer spending growth to 4.7% from 4.3%. The downgrade came mostly from exports and investment, the latter contracting 1.1%. Encouragingly, monthly data show that consumer spending rose in July by a strong and above-consensus 0.6% m/m, pointing to a strong start to Q3. However, consumer sentiment dropped sharply to a near three-year low in August on tariff concerns. The first round of tariff increase takes place on September 1 affecting some \$125 billion of Chinese imports and the second round will be implemented in mid-December. Meanwhile, core PCE inflation – the Fed’s preferred price gauge – was unchanged at a softer-than-expected 1.6% y/y in July, its seventh successive month below the 2.0% target.

**Other:** The Chinese yuan weakened further to an over 11-year low of RMB7.09/US\$1 (midpoint), ahead of the imposition of further US tariffs. The currency experienced its biggest monthly drop since 1994 in August, of 3.9%. Meanwhile, Argentina started to restructure \$101 billion of debt amid political turmoil that triggered a plunge in the currency and a failed bond auction. In the UK, political tensions increased as PM Boris Johnson announced a longer-than-usual five-week shutdown of parliament from mid-September that could impede MPs’ ability to halt a ‘no deal’ Brexit.

**Financial markets:** Equities rebounded late last week on hopes that China is open to a resolution of the trade war with the US. The MSCI AC World rose 2.2% w/w led by the DJI (3%). Meanwhile, 10-year treasury yields slipped 2 bps w/w to 1.51%.

**Oil:** Brent closed up 1.8% w/w at \$60.4/bbl thanks to a 10 m/b US crude stock drawdown that pushed inventories down to levels last seen in October 2018. While the markets took that as a sign of robust demand amid tighter supply and despite trade-related global growth concerns, bullish sentiment was checked by US crude output setting another record high of 12.5 mb/d.

## MENA Region

**Saudi Arabia:** The value of POS transactions – a gauge of consumer spending – rebounded in July, rising 18.7% y/y following June’s softness. Private sector credit growth remained relatively low at 3.4% y/y in July, however, slowing for the second month in a row. SAMA’s foreign reserves declined for the

second consecutive month, to \$504 billion in July. In a series of royal orders issued by King Salman, the Industry and Mineral Resources portfolio was handed over to Bandar Alkhorayef. Khalid Al-Falih will focus exclusively on oil and energy under his renamed Ministry of Energy. The king also replaced the head of the royal court with Fahd bin Mohammed Al-Issa.

**UAE:** Lending growth rose from 4.3% y/y in June to an over two-year high of 5.1% y/y in July, thanks to stronger public sector credit growth. In contrast, total deposit growth eased to a more than one-year low of 4.9% y/y on the back of continued weakness in private sector deposits.

**Oman:** The budget deficit declined by 53% to a five-year low of OMR661 million in the year to June, amid stronger revenues (OMR 5.5 billion, +11.4% y/y) and reduced expenditures (OMR 6.2 billion, -2.8%). Increases in oil, gas and corporate tax earnings boosted revenues while expenditures were down due to lower investment (current spending was broadly unchanged).

**Egypt:** Remittances from Egyptian expats rose by 43% m/m (15% y/y) in May to \$3 billion from \$2.1 billion in April.

**Financial markets:** GCC equities trended down on geopolitical and trade concerns. The MSCI GCC lost 2.2% w/w, weighed by a sharp decline in Saudi (-5%) despite the second tranche of MSCI index inclusion on Wednesday, which was likely priced in beforehand. Kuwait’s All-Share index declined 1% w/w.

### Key takeaways:

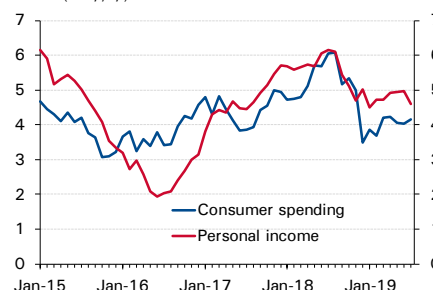
- The downgrades to investment and exports in US GDP in Q2 underscore concerns about the impact of the trade war on growth and – together with July’s soft inflation figures – make a Fed rate cut later this month more probable.
- UK PM Johnson’s decision to suspend parliament facilitates a ‘no deal’ Brexit but could be an attempt to get concessions from the EU. By angering MPs however, the move will also intensify opponents’ efforts to undermine Brexit through legislation this coming week or trigger a general election.
- Problems in China and Argentina highlight pressures in emerging markets from slowing growth and trade tensions; the IIF estimates EM portfolio outflows hit a near three-year high in August. Stable currencies and large reserves have helped shield most GCC markets from large these outflows.

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



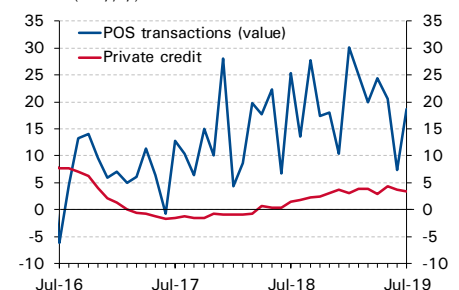
Source: Refinitiv

▶ **Chart 2: US consumer sector** (% y/y)



Source: Refinitiv

▶ **Chart 3: Saudi consumer sector** (% y/y)



Source: Refinitiv

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	3,800	-0.6	26.2
DAX	11,939	2.8	13.1
DJIA	26,403	3.0	13.2
Eurostoxx 50	3,427	2.8	14.2
FTSE 100	7,207	1.6	7.1
Nikkei 225	20,704	0.0	3.4
S&P 500	2,926	2.8	16.7
<b>Regional</b>			
Abu Dhabi SM	5,166	2.5	5.1
Bahrain ASI	1,533	0.0	14.6
Dubai FM	2,759	-0.4	9.0
Egypt EGX 30	14,835	3.5	13.8
S&P GCC 40	1,226	2.5	11.5
Kuwait SE	5,941	-1.0	17.0
KSA Tadawul	8,020	-5.0	2.5
Muscat SM 30	4,005	0.4	-7.4
Qatar Exchange	10,233	3.2	-0.6

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	1.51	-2.1	-118.5
Bunds 10 Year	-0.71	-3.5	-95.3
Gilts 10 Year	0.48	-0.1	-79.0
JGB 10 Year	-0.28	-4.1	-27.7
<b>Regional</b>			
Abu Dhabi 2022	1.96	-3.1	-133.5
Dubai 2022	2.52	1.1	-141.4
Qatar 2022	2.06	-2.1	-138.8
Kuwait 2022	1.99	-0.1	-132.8
KSA 2023	1.98	-29.9	-189.4
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	60.4	1.8	12.3
KEC	69.2	3.1	32.6
WTI	55.1	1.7	21.3
Gold	1519.1	-0.5	18.8

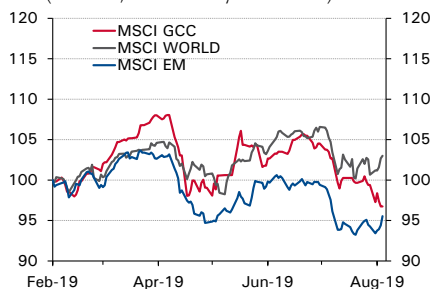
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	3.07	0.0	-88.3
Kibor - 3 month	2.81	0.0	50.0
Qibor - 3 month	2.75	-6.3	-15.9
Eibor - 3 month	2.44	0.0	-40.0
Saibor - 3 month	2.42	-2.4	-55.5
Libor - 3 month	2.13	-0.1	-67.6
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.303	-0.2	0.0
KWD per EUR	0.337	-0.4	-3.2
USD per EUR	1.099	-1.4	-4.2
JPY per USD	106.3	0.9	-3.0
GBP per USD	1.216	-1.0	-4.7
EGP per USD	16.50	-0.1	-7.6

Updated on 30/8/2019

Source: Refinitiv

### International equity markets

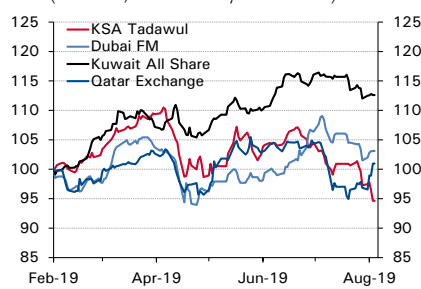
(rebased, 27 February 2019=100)



Source: Refinitiv

### GCC equity markets

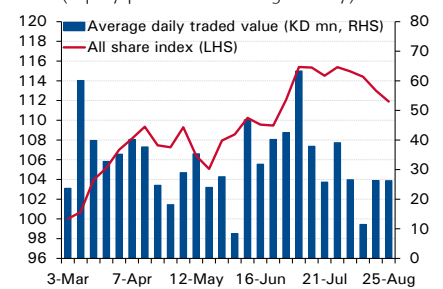
(rebased, 27 February 2019=100)



Source: Refinitiv

### Boursa Kuwait

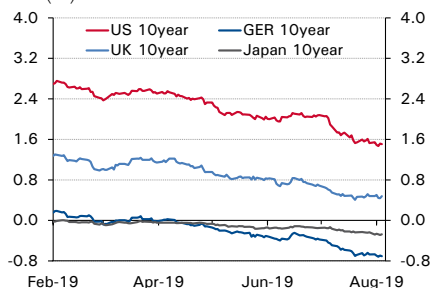
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

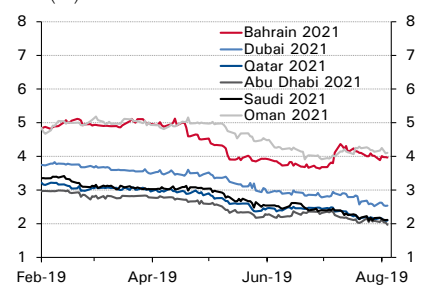
(%)



Source: Refinitiv

### GCC bond yields

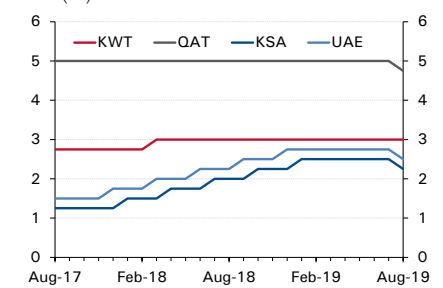
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv