

International

US: Initial jobless claims rose by another huge 963,000 in the week ending 8 August, though it was the first sub-1 million increase since mid-March indicating slow improvement in labor market softness. The insured unemployment rate (produced with a one-week lag) eased 0.4% to 10.6%. Meanwhile, after jumping in May and June retail sales edged up again in July with growth at 2.7% y/y. Industrial production also made solid gains on rising car output but is still contracting at -8.2% y/y. Finally, consumer price inflation rose to a stronger-than-expected 1.0% y/y in July, with the core rate jumping to 1.6% (1.2% in June) on higher auto insurance, wireless services and airfares.

UK: GDP fell by an historic 20.4% q/q in 2Q20, covering the worst of virus-related restrictions on activity and movement. The drop was larger than in other European countries, partly due to timing effects as the UK saw a smaller GDP fall in Q1. Monthly figures show output recovering a better-than-expected 8.7% in June as restrictions were eased.

Financial markets: Equity markets were mostly positive on optimism about fresh stimulus measures. The MSCI AC World gained 1% led by the US DJIA, up 1.8% w/w. The 10-year US treasury yield reached a 8-week high at 0.71% driven by a large government bond auction to help finance the Covid response.

Oil: Brent closed +0.9% w/w at \$44.8/bbl on further US crude inventory declines (-4.5 mb to 514 mb in the w/e 7 Aug) and higher gasoline consumption. Nevertheless, the market mood was downbeat after both OPEC and the IEA downgraded their 2020 oil demand growth forecasts (by -90 kb/d to -9.1 mb/d and -140 kb/d to -8.1 mb/d, respectively) due to the persistence of the pandemic. OPEC-10 compliance slipped in July to 97% from 113% in June ahead of the easing of output cuts in August. However Kuwait (2.16 mb/d, 102%), Saudi Arabia (8.4 mb/d, 103%) and the UAE (2.43 mb/d, 102%) all hit their targets.

MENA Region

Kuwait: After being flat in May, credit inched up a limited 0.2% m/m in June resulting in growth of 3.8% y/y. The rise was driven by increasing household credit following a decrease in each of the previous three months, resulting in a 2.9% y/y increase. Growth in credit to businesses was broadly stable, leading to a 5.1% y/y increase. Amid low oil prices and despite a 3% drop in spending, the fiscal deficit in FY19/20 increased to KD3.9 billion before transfers to the Future Generation Fund, or

9.8% of GDP, up from 3.1% of GDP in FY18/19. Finally, according to PIFSS, job growth among Kuwaitis slowed to 2.4% y/y in 1Q20 from 3.2% in 4Q19. Public sector hiring growth slowed from 3.6% in 4Q19 to an over two-year low of 2.9%, while private sector hiring growth slowed from 1.6% to 0.2%, in tandem with weaker economic activity.

Bahrain: Fitch downgraded Bahrain's long-term credit rating from BB- to B+ (deeper into non-investment grade territory), citing growing concerns about the rising fiscal deficit and public debt levels, which continue to weigh on its already low foreign exchange reserves (1.1 months of imports as of June).

Oman: The government secured a one-year \$2 billion bridge loan from a group of regional and international banks to help it manage the twin shocks of the coronavirus and low oil prices. The loan is expected to be repaid with funds from an international bond issue planned for some time this year.

Egypt: Despite an increase in energy prices in July, inflation decelerated to 4.2% y/y from 5.6% y/y in June, and the lowest since November. This was mainly driven by a drop in food and drink prices of 1.5%. Similarly, core inflation slowed to 0.7% from 1% in June. Meanwhile, the Central Bank of Egypt kept interest rates unchanged for the fourth meeting in a row. The overnight deposit rate, overnight lending rate, and the discount rate were kept at 9.25%, 10.25%, and 9.75%, respectively.

Financial markets: Equities rallied on higher oil prices. The MSCI GCC gained 2.6% led by Saudi Arabia (2.7%) trailed closely by Kuwait's All-Share (2.3%), while Dubai gained 2.3%.

Key takeaways:

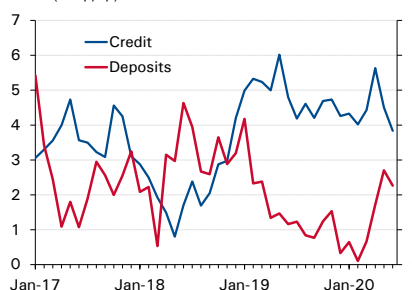
- Kuwait's FY19/20 fiscal deficit at nearly 10% of GDP was broadly in line with our expectation. Despite further anticipated spending cuts, the deficit will widen sharply this year due to lower oil prices, putting more pressure on declining reserves and making the approval of the debt law absolutely essential.
- The gradual opening up of Kuwait's economy should support loan growth going forward, especially in the context of the easing of regulatory requirements by the CBK back in April. But the outlook remains clouded with high uncertainty, which is expected to keep this loan growth in check.
- The fall in Egypt's inflation has lifted interest rates in real terms, which were already very high. While lower interest rates would help growth and the fiscal position, the CBE may be cautious about rate cuts including to help underpin appetite for local debt instruments and guard against capital outflows.

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



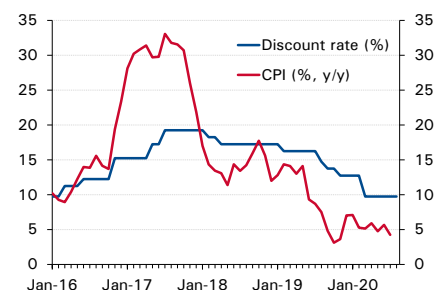
Source: Refinitiv

▶ **Chart 2: Kuwait credit & deposits** (% y/y)



Source: Refinitiv

▶ **Chart 3: Egypt CPI and interest rates**



Source: Refinitiv

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	4,705	-0.1	14.8
DAX	12,901	1.8	-2.6
DJIA	27,931	1.8	-2.1
Eurostoxx 50	3,305	1.6	-11.8
FTSE 100	6,090	1.0	-19.3
Nikkei 225	23,289	4.3	-1.6
S&P 500	3,373	0.6	4.4
Regional			
Abu Dhabi SM	4,387	0.6	-13.6
Bahrain ASI	1,311	1.7	-18.6
Dubai FM	2,155	2.3	-22.0
Egypt EGX 30	10,944	1.2	-21.6
MSCI GCC	496	2.6	-12.6
Kuwait SE	5,126	2.3	-18.4
KSA Tadawul	7,704	2.7	-8.2
Muscat SM 30	3,565	-0.1	-10.4
Qatar Exchange	9,602	2.0	-7.9

Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	0.71	14.7	-120.1
Bunds 10 Year	-0.42	8.6	-23.4
Gilts 10 Year	0.24	10.4	-58.1
JGB 10 Year	0.05	3.5	6.8
Regional			
Abu Dhabi 2022	0.74	14.9	-130.5
Dubai 2022	1.26	4.8	-120.7
Qatar 2022	0.87	11.7	-119.2
Kuwait 2022	0.77	4.1	-129.8
KSA 2023	1.27	32.4	-102.7
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	44.8	0.9	-32.1
KEC	44.6	-0.8	-34.7
WTI	42.0	1.9	-31.2
Gold	1937.0	-3.6	27.5

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.28	-1.7	-38.3
Kibor - 3 month	1.56	0.0	-118.8
Qibor - 3 month	0.97	-21.7	-128.3
Eibor - 3 month	0.46	-14.7	-174.8
Saibor - 3 month	0.92	0.0	-131.1
Libor - 3 month	0.28	3.7	-162.8
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.305	0.0	0.8
KWD per EUR	0.361	0.0	8.5
USD per EUR	1.184	0.5	5.6
JPY per USD	106.6	0.6	-1.9
USD per GBP	1.308	0.3	-1.3
EGP per USD	15.88	-0.2	-0.7

Updated on 14/8/2020

Source: Refinitiv

International equity markets

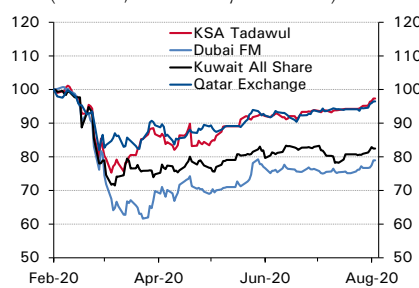
(rebased, 12 February 2020=100)



Source: Refinitiv

GCC equity markets

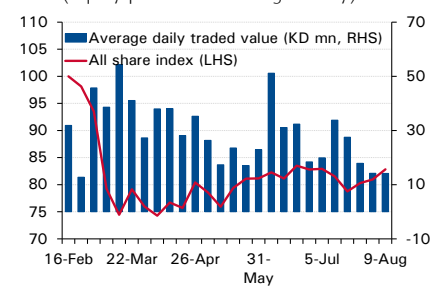
(rebased, 12 February 2020=100)



Source: Refinitiv

Boursa Kuwait

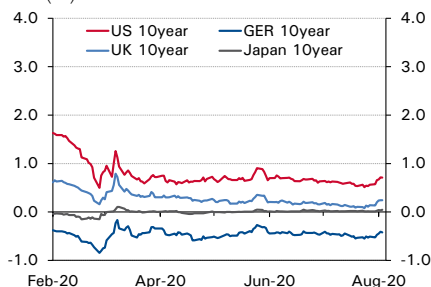
(equity prices and trading activity)



Source: Refinitiv

International bond yields

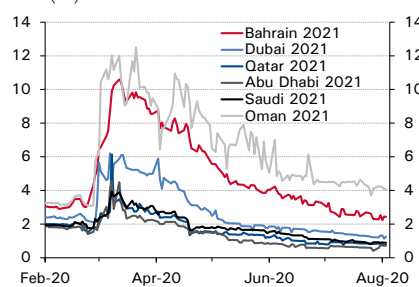
(%)



Source: Refinitiv

GCC bond yields

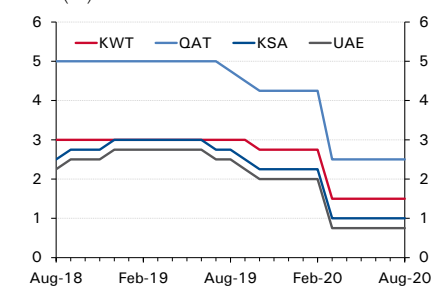
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv