

### International

**US:** Consumer price inflation fell back to a below-consensus 1.8% y/y in May from 2.0% in April, while the core rate also ticked down to 2.0%. There is now mounting pressure on the Federal Reserve to cut interest rates. However activity data was more positive. Retail sales rose an above-consensus 0.5% m/m in May on top of upward revisions to April, pointing to personal consumption being stronger than expected in 2Q19. Meanwhile industrial production rose a solid 0.4% m/m, though the manufacturing component was softer.

**Financial markets:** Equities rose for the second consecutive week amid rising expectations of Fed policy loosening. The MSCI AC World gained 0.6% w/w led by emerging markets (0.8%) and the S&P (0.5%). US 10-year treasury yields were almost unchanged at 2.09%.

**Oil:** Brent fell 2% w/w to \$62/bbl despite an end-week rise after two international oil tankers were hit by mines in the Gulf of Oman. Brent's weekly decline was its fourth in a row, amid above-seasonal US crude stock builds (+2.2 mb to 485.5 mb) and concerns about the health of the global economy.

### MENA Region

**Kuwait:** Credit growth eased to 5.0% y/y in April from 5.2% in March, amid a slowdown among both businesses (6.0%) and households (5.4%). Consumer spending sustained its recovery in May, with the NBK consumer spending index rising 1.9% y/y, unchanged from April. Durables continued to recover and growth in services outlays held firm. It was not easy to interpret the data in May as consumer behavior changes during the holy month of Ramadan. Finally, April saw the highest real estate sales of the year so far at KD353 million, +36% m/m but -0.6% y/y. Strong sales were driven by higher volumes. Prices were mostly stable in April, though apartment prices are still down slightly y/y.

**Saudi Arabia:** The PMI improved to a 17-month high of 57.3 in May from 56.8 in April, as firms reported rising output and new orders. Meanwhile, the unemployment rate among Saudi nationals fell for the third consecutive quarter in 1Q19 to 12.5%, but Saudi private sector jobs fell 3.5% y/y to 1.7 million. Finally, BP revised up its estimate of Saudi's proven oil reserves by 12% to 297.7 billion barrels (just short of Venezuela's 303 billion) on inclusion of Natural Gas Liquids.

**UAE:** The PMI surged to a four-year high of 59.4 in May from 57.6 in April, led by gains in new orders and output, which rose to multi-year highs. The Dubai Economy tracker rose to 58.5 in May from 57.9 in April, though hiring remains sluggish. Also encouragingly, after contracting in 2018 Dubai's non-oil exports enjoyed a strong rebound in 1Q19, while imports also rose 4% y/y, pointing to some improvement in domestic conditions as well.

**Oman:** In an effort to boost non-oil revenues and help finance its public deficit (est. 9% of GDP in 2019), the government implemented as of mid-June an excise tax of 100% on selected goods, including sugary drinks and tobacco. A 5% VAT originally planned for 2018 is likely to follow in 2020.

**Egypt:** Inflation accelerated to 14.1% in May from 13% in April, driven by a 15.1% rise in food prices, while core inflation declined to 7.8% from 8.1% in April. Meanwhile after reaching above 50 in April, Egypt's PMI fell back into contractionary territory at 48.2 in May, indicating some weakness in the recovery of the non-oil private sector.

**Financial markets:** The MSCI GCC rose 3.7% w/w, lifted by a 5.0% rise in Saudi. Boursa Kuwait's All-Share gained 1.5% w/w ahead of the announcement next week on Kuwait's eligibility for inclusion in the MSCI index as of June 2020. Markets did however end the week on a negative note, affected by regional tensions.

#### Key takeaways:

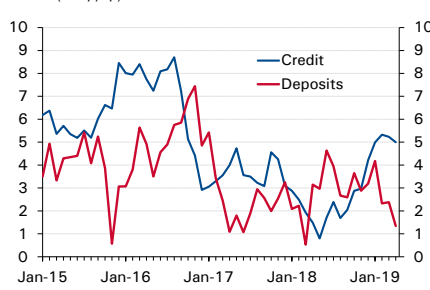
- Although US inflation remains low, strong retail sales data saw forecasts of GDP growth in 2Q19 revised up – to 2.1% in the case of the Atlanta Fed (1.4% before). This has eased pressure on the FOMC ahead of its policy meeting this week where no change to the rate is expected, but futures markets are still pricing in a July rate cut.
- While oil prices continued their descent last week, rising geopolitical tensions have raised the upside risks and it seems likely that OPEC+ will extend output cuts to the end of the year when it meets later this month. It was reported that the meeting would be delayed to next month.
- Kuwait's consumer loan growth reached a more than five-year high of 11.4%, benefitting from the easing of central bank lending restrictions. Together with solid employment growth, this bodes well for consumer spending growth in coming months.

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



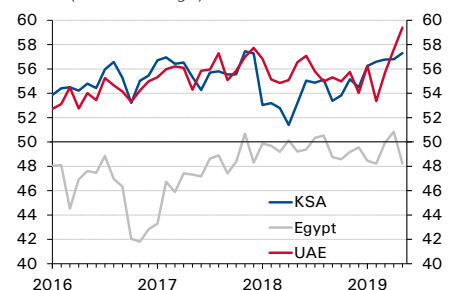
Source: Thomson Reuters Datastream

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



Source: Thomson Reuters Datastream

▶ **Chart 3: MENA PMIs** (50=no change)



Source: IHS Markit

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	3,655	2.5	21.4
DAX	12,096	0.4	14.6
DJIA	26,090	0.4	11.8
Eurostoxx 50	3,379	0.0	12.6
FTSE 100	7,346	0.2	9.2
Nikkei 225	21,117	1.1	5.5
S&P 500	2,887	0.5	15.2
<b>Regional</b>			
Abu Dhabi SM	4,964	-0.8	1.0
Bahrain ASI	1,449	1.0	8.3
Dubai FM	2,633	0.5	4.1
Egypt EGX 30	14,181	2.8	8.8
S&P GCC 40	1,190	-0.8	8.2
Kuwait SE	5,853	1.5	15.2
KSA Tadawul	8,942	5.0	14.2
Muscat SM 30	3,918	-0.6	-9.4
Qatar Exchange	10,516	1.9	2.1

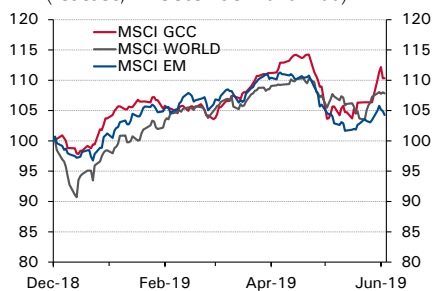
Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	2.09	1.0	-59.7
Bunds 10 Year	-0.26	-0.1	-50.2
Gilts 10 Year	0.85	3.2	-42.2
JGB 10 Year	-0.13	-1.3	-12.9
<b>Regional</b>			
Abu Dhabi 2022	2.35	4.3	-95.2
Dubai 2022	3.08	-13.9	-84.9
Qatar 2022	2.59	-16.3	-85.8
Kuwait 2022	2.28	-4.0	-103.8
KSA 2023	2.86	16.0	-102.1
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	62.0	-2.0	15.3
KEC	61.0	-2.1	16.8
WTI	52.5	-2.7	15.6
Gold	1340.1	-0.1	4.8

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	3.18	-5.0	-76.7
Kibor - 3 month	2.69	0.0	37.5
Qibor - 3 month	2.83	0.7	-7.4
Eibor - 3 month	2.68	-4.6	-15.4
Saibor - 3 month	2.78	-7.5	-20.0
Libor - 3 month	2.41	-6.8	-39.7
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.0	0.2
KWD per EUR	0.340	-0.8	-2.5
USD per EUR	1.121	-1.1	-2.3
JPY per USD	108.6	0.3	-0.9
GBP per USD	1.259	-1.1	-1.3
EGP per USD	16.71	0.0	-6.4

Updated on 14/6/2019 Source: Thomson Reuters Eikon

### International equity markets

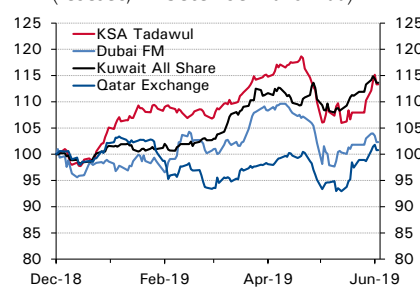
(rebased, 12 December 2018=100)



Source: Thomson Reuters Datastream

### GCC equity markets

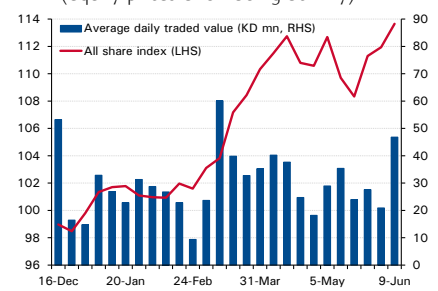
(rebased, 12 December 2018=100)



Source: Thomson Reuters Datastream

### Boursa Kuwait

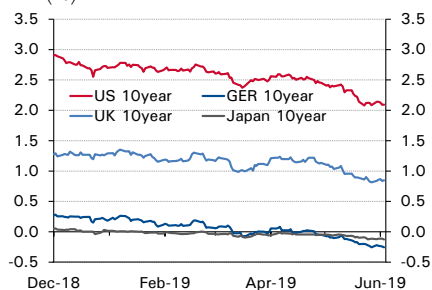
(equity prices and trading activity)



Source: Thomson Reuters Datastream

### International bond yields

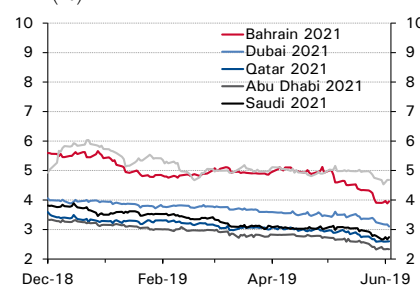
(%)



Source: Thomson Reuters Datastream

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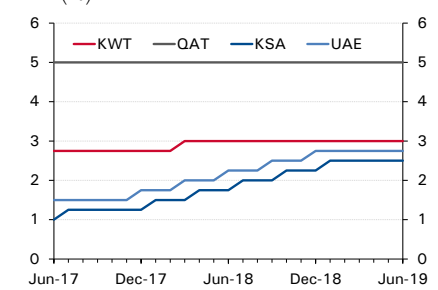
(%)



Source: Thomson Reuters Datastream

### GCC key policy rates

(%)



Source: Thomson Reuters Datastream