

### International

**US:** GDP in 2Q20 plunged an annualized 32.9% (-9.5% q/q), a period covering the peak of the virus containment measures. The drop was led by 35% fall in household consumption including a huge 44% decline in services spending. Survey data confirm that activity has since rebounded, with the ISM activity indices for both manufacturing (54.2) and non-manufacturing (58.1) back firmly above the 'no-change' 50 level for the second consecutive month in July. Employment also continues to recover and came in better than expected in July at +1.8 million. The unemployment rate fell to 10.2% (11.1% in June), but remains high and flattered by the number of people that have left the workforce entirely. Finally, President Trump has signed several executive orders to try and push through a new stimulus package in the face of congressional haggling.

**Europe:** GDP in the Eurozone dropped a massive 12.1% q/q in Q2 after a 3.6% drop in Q1. Large divergences were seen across the main countries with Spain (-18.5%) and France (-13.8%) worse affected but Germany contracting 'only' 10.1%, partly reflecting relative success in controlling the virus. Figures for the UK released this week could show a decline of 20% or more.

**Financial markets:** Global stocks rallied led by the US, lifted by better than expected earnings and stimulus package optimism, with the S&P500 rising 2.5% w/w and the Euro stoxx 50 up 2.5%. The US 10-year treasury yield remained low at 0.56%, while gold hit an all-time high of \$2,062 on Thursday.

**Oil:** Brent dipped on Friday to \$44.4/bbl on US-China tensions and a lack of progress on the US coronavirus stimulus plan but still gained 2.5% w/w. Earlier in the week, Brent had reached a five-month high on the back of a larger-than-expected US crude stock draw (-7.4 mb) and a weaker US dollar. The demand outlook has become cloudier in recent weeks due to resurgent coronavirus infections.

### MENA Region

**Kuwait:** Consumer spending (Knet) rose by 21.6% y/y in July on pent-up demand, reversing months of declines, as mobility restrictions were eased and retail stores were opened. POS transactions (by value) declined by a mere 0.1% y/y in July, a stark improvement from the 35% decline in June, while growth in online spending was very robust at 160%. Inflation eased to 1.8% y/y in June from 1.9% in May, on the back of a slowdown in transportation, leisure and hospitality inflation. This more

than offset a jump in food prices. Indeed, 'core' inflation, which excludes food and housing, slowed to an almost one year-low of 2.5% in June from 3.4% in May.

**Saudi Arabia and the UAE:** PMI's for Saudi (50.0) and the UAE (50.8) signal business activity stable or edging higher in July, recovering from earlier sharp falls. Credit growth in Saudi was a solid 1.5% m/m in June, bringing the y/y expansion to 13%. The combined net profit of Saudi banks is estimated to have decreased by 20% y/y in Q2, leading to an 11% drop in 1H2020.

**Oman:** Oman intends to roll out the much-delayed VAT in early 2021. A 50% excise tax on sweetened drinks will be introduced by 1 October alongside a doubling of the existing tax on alcohol and tobacco to 100%. The VAT is expected to generate revenue in the range of 1.5-3.0% of non-oil GDP, according to the IMF.

**Qatar:** 1Q20 GDP growth came in at 0.9% y/y, according to preliminary estimates. Non-oil output expanded by 1.4% y/y, driven by gains in financial services and public administration. Oil sector growth was flat.

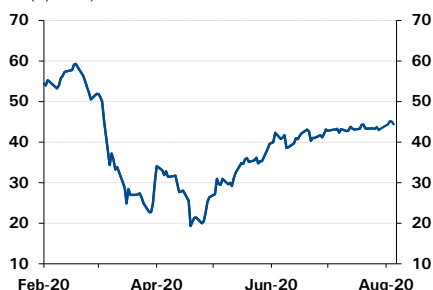
**Egypt:** As the government restarted flights and reopened major tourist attractions from July 1, the PMI improved to 49.6 in July from 44.6 in June, its softest contraction in a year. The current account deficit fell by 38% y/y to \$2.8 billion in 1Q20, helped mainly by a strong rise in remittances from Egyptians abroad.

**Financial markets:** GCC markets were mostly positive on recovery optimism. Gains were led by Dubai, up 2.1% w/w while Kuwait's All-Share fell 0.2%.

#### Key takeaways:

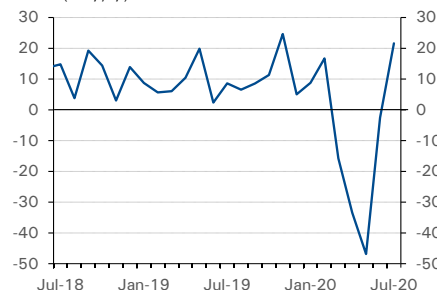
- After prodigious declines in Q2, strong rebounds in GDP in both the US and Europe are expected in Q3, though sustaining the recovery will remain contingent on effective control of the virus as well as continued policy support.
- The executive orders issued by President Trump look to extend unemployment benefits and cut payroll taxes. But the boost is much smaller than the \$3 trn package proposed by house Democrats who may challenge the measures in court.
- The strong rebound in consumer spending in Kuwait is very encouraging, though likely boosted by temporary factors including pent-up demand and loan repayment deferrals that will fade in coming months.
- PMIs across the MENA region point to non-oil activity edging back or close to growth territory in July as economies reopen. But employment indices continue to contract and job-shedding could weigh on the recovery in coming quarters.

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



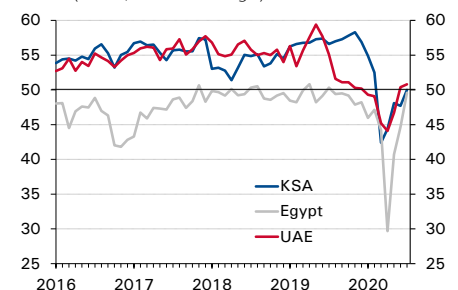
Source: Refinitiv

▶ **Chart 2: Kuwait consumer spending** (% y/y)



Source: Knet

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



Source: IHS Markit

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,708	0.3	14.9
DAX	12,675	2.9	-4.3
DJIA	27,433	3.8	-3.9
Eurostoxx 50	3,253	2.5	-13.2
FTSE 100	6,032	2.3	-20.0
Nikkei 225	22,330	2.9	-5.6
S&P 500	3,351	2.5	3.7
<b>Regional</b>			
Abu Dhabi SM	4,360	0.8	-14.1
Bahrain ASI	1,289	0.0	-20.0
Dubai FM	2,108	2.1	-23.8
Egypt EGX 30	10,817	2.4	-22.5
MSCI GCC	483	0.4	-14.8
Kuwait SE	5,010	-0.2	-20.3
KSA Tadawul	7,500	0.5	-10.6
Muscat SM 30	3,568	0.3	-10.4
Qatar Exchange	9,412	0.4	-9.7

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	0.56	2.6	-134.8
Bunds 10 Year	-0.51	2.6	-32.0
Gilts 10 Year	0.14	3.4	-68.5
JGB 10 Year	0.01	-0.5	3.3
<b>Regional</b>			
Abu Dhabi 2022	0.59	-5.0	-145.4
Dubai 2022	1.21	-9.4	-125.5
Qatar 2022	0.75	-11.1	-130.9
Kuwait 2022	0.72	0.5	-133.9
KSA 2023	0.95	-27.8	-135.1
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	44.4	2.5	-32.7
KEC	45.0	4.4	-34.2
WTI	41.2	2.4	-32.5
Gold	2010.1	2.4	32.3

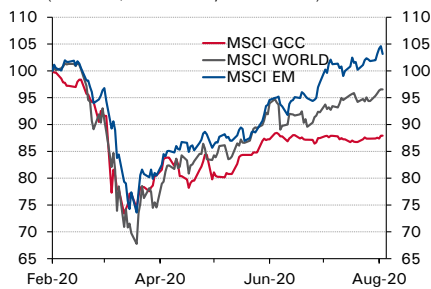
Interbank rates	%	Change (bps)	
		1-week	YTD
Bhbor - 3 month	2.30	0.0	-36.7
Kibor - 3 month	1.56	0.0	-118.8
Qibor - 3 month	1.18	5.4	-106.7
Eibor - 3 month	0.61	4.2	-160.1
Saibor - 3 month	0.92	-1.1	-131.1
Libor - 3 month	0.24	-2.5	-166.5
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	0.0	0.9
KWD per EUR	0.361	-0.7	8.4
USD per EUR	1.179	0.1	5.1
JPY per USD	105.9	0.0	-2.5
USD per GBP	1.305	-0.3	-1.6
EGP per USD	15.91	-0.1	-0.6

Updated on 7/8/2020

Source: Refinitiv

### International equity markets

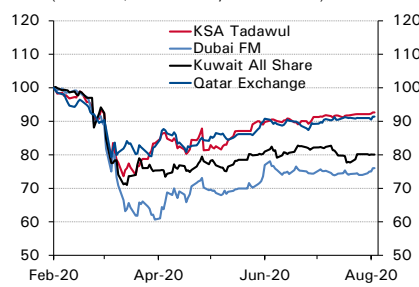
(rebased, 5 February 2020=100)



Source: Refinitiv

### GCC equity markets

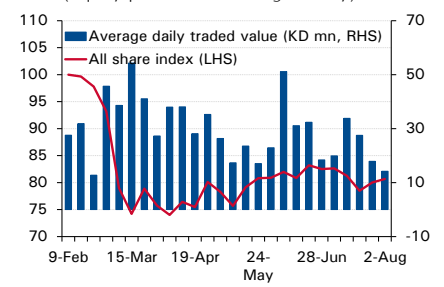
(rebased, 5 February 2020=100)



Source: Refinitiv

### Bursa Kuwait

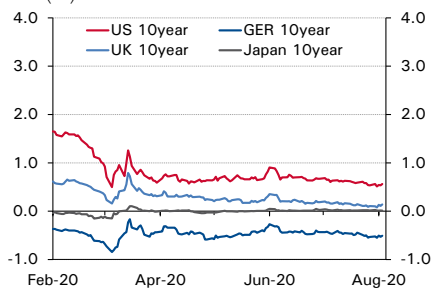
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

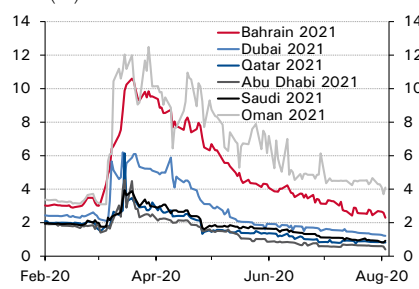
(%)



Source: Refinitiv

### GCC bond yields

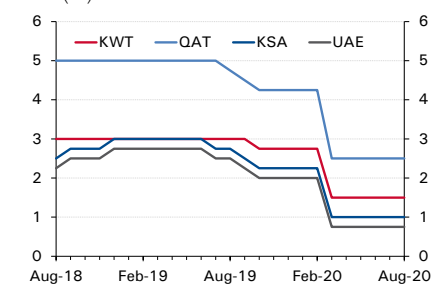
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv