

### International

**US:** The rise in initial jobless claims accelerated for the first time in 16 weeks in the week ending July 18, at 1.42 million versus 1.31 million a week earlier. However continuing claims – reported with a one-week lag – continued to drop, falling 1.11 million to 16.2 million leaving a total 'insured' unemployment rate of 11.1% versus 11.8% a week earlier. Meanwhile in positive news, existing home sales jumped 21% m/m in June to 4.72 million, while sales of new homes jumped 14% to 776,000 and have now returned to pre-virus levels with prices solid.

**Europe:** After days of tough negotiations, the EU finally agreed a €750 billion 'recovery fund' to provide post-pandemic relief to member states, to be financed by EU-level borrowing. Payouts from the fund will include €390 billion in grants with the rest in loans, be made over 3 years and distributed in-part according to economic damage from Covid-19. The EU also agreed a €1.07 trillion 7-year budget. Meanwhile, the flash Eurozone PMI for July bounced to 54.8 from 48.5 in June and the first rise since February, on a relaxation of virus-containment measures.

**Financial markets:** Global equities were mostly negative on concerns of rising US-China tensions following the closing of consulates in both countries. Losses were led by Europe's Stoxx 50, down 1.6%, while the Chinese CSI 300 lost 1%. US stocks were less affected, with the S&P500 down 0.3%. Heightened risk pushed up the gold spot price to \$1900/oz, the highest since 2011, while yields on 10-year treasuries fell to 0.59%.

**Oil:** Worries over a faltering economic recovery amid resurgent coronavirus infections continue to keep oil prices range-bound. Brent did close higher on Friday by 0.5% w/w at \$43.3/bbl (-34% ytd) but fell from its 4-month high of \$44.3/bbl on Tuesday. The bigger-than-expected US jobless claims figure was the main factor on Friday but EIA data showing a weakening in gasoline demand also soured sentiment.

### MENA Region

**Kuwait:** As expected, real estate activity was severely affected by the coronavirus lockdown, with historically low sales of KD113 million in 2Q20 though sales picked up in June to KD70 million. The rise in June was driven by the residential sector, which at KD 58 million accounted for nearly 75% of all sales, well above historical norms.

**Saudi Arabia:** The Minister of Finance mentioned that the economic contraction in 2020 will probably be less than the 6.8% forecasted by the IMF and that initial indicators for the month of July indicate an improvement in the economy. Meanwhile, imports in May fell sharply (-29% y/y), leading to a 15% drop in the first five months of the year while non-oil exports were down by a steeper 23% y/y in the same period.

**UAE:** Dubai's GDP in 1Q20 contracted 3.5% y/y in 1Q20 with declines across most sectors, especially wholesale & retail trade (-7.5% y/y), transport & storage (-5.5% y/y), and accommodation & food services (14.8% y/y), which contributed around 3.3% points of the drop in overall GDP.

**Egypt:** The fiscal deficit expanded by 19% y/y in 11 months of FY19/20 (from July to May) to EGP389 billion (\$24.4 billion), representing 6.5% of GDP compared to 6.2% of GDP during the same period a year ago. In this context, Moody's rating agency expects that Egypt will maintain a higher credit rating thanks to effective economic and fiscal policies. Meanwhile, the European Investment Bank approved €1.9 billion to finance projects in Egypt: €800 million for Covid-19-related business investment, and €1.1 billion for supporting public transport.

**Financial markets:** Most GCC markets fell on escalating US-China tensions and weak 2Q earnings. Losses were led by Kuwait at -3.4% while Oman (+3.3%) and Qatar (0.6%) outperformed, with the latter helped by a favorable international ruling on its political dispute with neighboring Saudi Arabia.

#### Key takeaways:

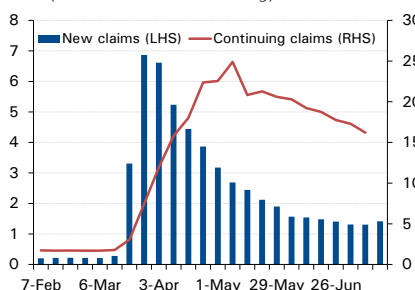
- The pick-up in US jobless claims will heighten worries about a faltering economic recovery given the surge in virus cases since mid-June and the rolling back of lockdown easing steps in some states. It could also put pressure on Congress to approve a new stimulus package over coming weeks.
- Although not huge in economic terms when spread over 3 years, the EU recovery fund is seen as a significant but contentious step on the road to deeper European integration as it contains elements of a 'fiscal transfer' between states. It also provides the EU with some leverage over countries who fail to reform and could see their payouts suspended.
- The mild pick-up in Kuwait's real estate sales in June is a good sign that activity in the residential sector could recover to pre-corona levels once restrictions are lifted. With the lockdown having weighed heavily on firms and expat jobs, we expect the commercial and investment sectors to take the largest hit.

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



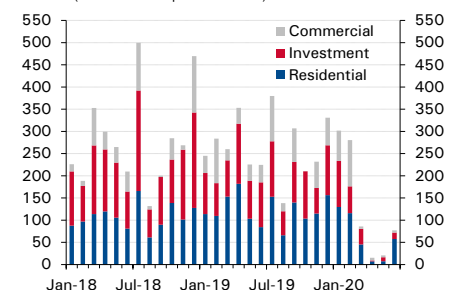
Source: Refinitiv

▶ **Chart 2: US jobless claims** (millions for week ending)



Source: Refinitiv

▶ **Chart 3: Kuwait real estate sales** (KD million per month)



Source: Ministry of Justice

## Key data

Stock markets	Index	Change (%)	
		1-week	YTD
<b>International</b>			
CSI 300	4,506	-1.0	10.0
DAX	12,838	-0.6	-3.1
DJIA	26,470	-0.8	-7.2
Eurostoxx 50	3,311	-1.6	-11.6
FTSE 100	6,124	-2.6	-18.8
Nikkei 225	22,752	0.2	-3.8
S&P 500	3,216	-0.3	-0.5
<b>Regional</b>			
Abu Dhabi SM	4,261	-0.3	-16.1
Bahrain ASI	1,285	-1.4	-20.2
Dubai FM	2,053	0.0	-25.8
Egypt EGX 30	10,460	0.2	-25.1
MSCI GCC	477	-0.2	-16.0
Kuwait SE	4,875	-3.4	-22.4
KSA Tadawul	7,427	0.0	-11.5
Muscat SM 30	3,564	3.3	-10.5
Qatar Exchange	9,368	0.6	-10.1

Bond yields	%	Change (bps)	
		1-week	YTD
<b>International</b>			
UST 10 Year	0.59	-3.9	-132.1
Bunds 10 Year	-0.44	0.8	-25.7
Gilts 10 Year	0.15	-1.9	-68.0
JGB 10 Year	0.02	0.2	3.8
<b>Regional</b>			
Abu Dhabi 2022	0.72	-13.3	-132.1
Dubai 2022	1.38	-8.6	-108.5
Qatar 2022	0.92	3.4	-114.7
Kuwait 2022	0.76	-2.9	-130.7
KSA 2023	1.23	-7.0	-106.7
<b>Commodities</b>			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	43.3	0.5	-34.3
KEC	43.4	0.6	-36.5
WTI	41.3	1.7	-32.4
Gold	1897.3	4.9	24.9

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	2.30	0.0	-36.7
Kibor - 3 month	1.56	0.0	-118.8
Qibor - 3 month	1.00	-4.8	-124.9
Eibor - 3 month	0.55	-2.8	-166.1
Saibor - 3 month	0.94	-1.7	-129.4
Libor - 3 month	0.24	-2.7	-166.4
<b>Exchange rates</b>			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.306	-0.4	1.1
KWD per EUR	0.355	2.6	6.7
USD per EUR	1.165	2.0	4.0
JPY per USD	106.1	-0.8	-2.3
USD per GBP	1.279	1.8	-3.5
EGP per USD	15.94	0.2	-0.4

Updated on 24/7/2020

Source: Refinitiv

### International equity markets

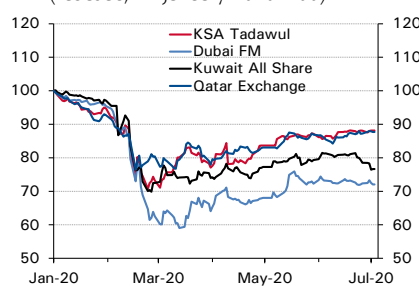
(rebased, 22 January 2020=100)



Source: Refinitiv

### GCC equity markets

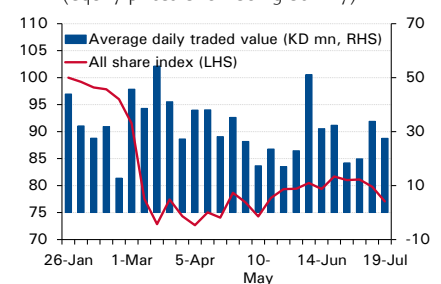
(rebased, 22 January 2020=100)



Source: Refinitiv

### Bursa Kuwait

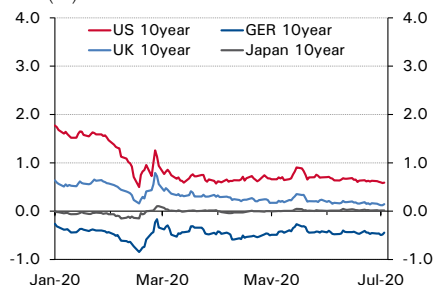
(equity prices and trading activity)



Source: Refinitiv

### International bond yields

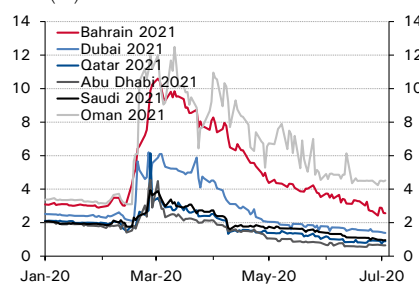
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Source: Refinitiv

### GCC bond yields

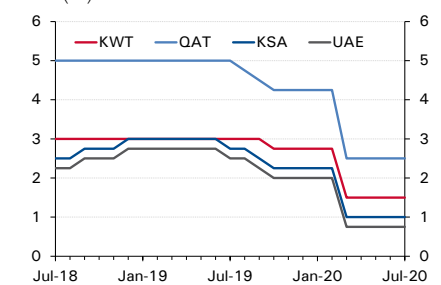
(%)



Source: Refinitiv

### GCC key policy rates

(%)



Source: Refinitiv