

# Daily Economic Update

Economic Research Department  
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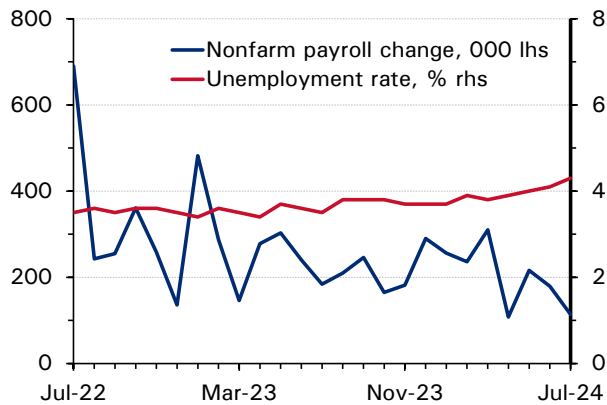
## **US: Job market flashes warning signs, markets see a rising probability of a 50bps rate cut in September.**

Labor market and manufacturing data at the end of last week came in much weaker than expected, signaling a stalling in economic momentum, especially after solid 2.8% GDP growth in Q2. Non-farm payroll gains in July dropped to 114K (versus an expected 175K) from a downwardly revised 179K in June, with the unemployment rate jumping to the highest level since October 2021 at 4.3% from 4.1% in June. The wage growth slowed to 0.2% m/m from 0.3%, with the annual rise also softening to 3.6% from 3.8%, the slowest since May 2021. However, we note that adverse weather conditions impacted by Hurricane Beryl during the survey week may have impacted July's data, clouding the extent of the weakness in the labor market. Furthermore, weekly initial jobless claims (w/e July 27) also rose to the highest level in nearly a year to 249K from 235K the previous week, but also this was likely impacted by Hurricane Beryl given a surge in claims in the state of Texas, where Beryl made landfall on 8 July. On the manufacturing front, the ISM PMI gauge fell deeper into contraction territory to 46.8 in July from 48.5 in June, an eight-month low, with the plunge in the employment sub-index to 43.4 from 49.3 being the key data point that alarmed investors. US and global equity markets sank following the release of these weak labor-market data, with the S&P 500 dropping a cumulative 3.2% on Thursday-Friday, the Eurostoxx 600 falling 3.9%, Chinese stocks dropping around 2%, and Japanese stocks plunging by more than 8% (also impacted by yen and local interest rate movements). In contrast, yields on the UST 10Y tumbled by around 30 bps on Thursday-Friday, to around 3.8%, the lowest since December. The markets are now pricing-in cumulative Fed rates cuts of 75 bps before the end of the year.

## **UK: Bank of England cuts interest rates, sees inflation subsiding despite "temporary" rise later this year.**

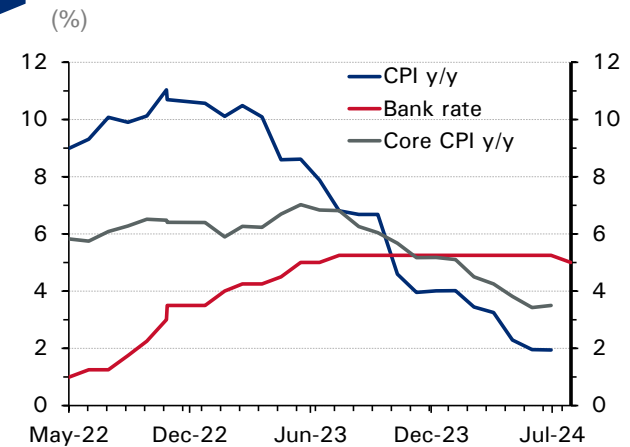
In a close 5-to-4 vote, the Bank of England reduced the bank rate by 25bps to 5% after maintaining it since August last year. While inflation hit the 2% target already in May-June, the bank sees an expected rise in inflation in H2 this year (due to higher energy bill caps and unfavorable base effects) as "temporary," with slowing wage increases and easing in services inflation helping to bring overall inflation gradually down to its 2% target in early 2026. In a more hawkish signal, the bank sees no immediate need to move quickly going forward or cut rates too much given inflation uncertainties due to elevated services price rises and more robust demand amid above-expected economic growth so far this year. For now, markets are projecting another cut at the November meeting. The bank also expects UK GDP to grow by 1.25% (versus 0.5% seen in May) in 2024, followed by 1% (unchanged from May) next year.

Chart 1: US employment



Source: Haver

Chart 2: UK inflation and bank rate



Source: Haver

**Egypt: Saudi Arabia to convert \$5.7bn CBE long-term deposits into EGP investments.** Following the UAE's \$11bn deposit conversion to EGP investments that took place over the March-June 2024 period, Saudi Arabia is now looking to do a similar move as it prepares to utilize current outstanding deposits at the CBE (\$5.7bn) and transfer them into EGP investments. The UAE move had a direct impact in bringing down Egypt's external debt and significantly improved the central bank's net foreign assets position. Upon the implementation of the conversion, the CBE's foreign liabilities should decrease by \$5.7bn to \$28.5bn, down from the latest figure of \$34.2bn in June, and hence improving the bank's net foreign asset position by the same amount, reaching \$15.9bn. The key country remaining with large deposits at the CBE is Kuwait at \$4bn.

**Qatar: Government records narrow budget surplus in Q2.** The government recorded a QR2.6 billion fiscal surplus in Q2 2024 (around 1% of estimated GDP), decreasing 74% y/y amid a 12% drop in revenues. Non-hydrocarbon receipts fell 34% y/y, offsetting a 2% increase in hydrocarbon revenues. Meanwhile, spending decreased 2% y/y driven by lower outlays for salaries and capital expenditures, highlighting spending constraints. The surplus was used to reduce public debt, according to the Ministry of Finance, a trend we expect to continue, which would lower the debt-to-GDP ratio to 45% in 2025 from above 60% in 2021.

## Daily market indicators

Stock markets	Index	Change (%)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi (ADI)	9,292	-0.79	-2.98
Bahrain (ASI)	1,971	0.05	-0.03
Dubai (DFMGI)	4,237	-1.00	4.37
Egypt (EGX 30)	29,360	-0.06	18.23
GCC (S&P GCC 40)	703	-0.16	-1.38
Kuwait (All Share)	7,214	-0.35	5.82
KSA (TASI)	12,046	-0.53	0.66
Oman (MSM 30)	4,667	0.12	3.40
Qatar (QE Index)	10,131	-0.23	-6.46
<b>International</b>			
CSI 300	3,384	-1.02	-1.36
DAX	17,661	-2.33	5.43
DJIA	39,737	-1.51	5.43
Eurostoxx 50	4,639	-2.67	2.59
FTSE 100	8,175	-1.31	5.71
Nikkei 225	35,910	-5.81	7.31
S&P 500	5,347	-1.84	12.09
<b>3m interbank rates</b>			
	%	Change (bps)	
		Daily	YTD
Bahrain	6.45	0.00	-7.50
Kuwait	4.25	0.00	-6.25
Qatar	6.00	0.00	-25.00
UAE	5.14	-10.03	-9.65
Saudi	6.16	0.00	-3.56
LIBOR	5.49	-1.44	-9.03
SOFR	5.24	0.10	-8.93

Bond yields	%	Change (bps)	
		Daily	YTD
<b>Regional</b>			
Abu Dhabi 2027	4.27	-14.00	-5.1
Oman 2027	5.16	-6.00	0.3
Qatar 2026	4.56	-21.00	4.1
Kuwait 2027	4.59	-15.00	25.0
Saudi 2028	4.58	-16.00	5.9
<b>International 10YR</b>			
US Treasury	3.79	-18.95	-6.9
German Bund	2.16	-8.75	13.1
UK Gilt	3.83	-5.00	29.5
Japanese Gvt Bond	0.95	-8.00	33.4
<b>Exchange rates</b>			
	Rate	Change (%)	
		Daily	YTD
KWD per USD	0.30	-0.29	-0.82
KWD per EUR	0.33	0.94	0.63
USD per EUR	1.09	1.08	-1.16
JPY per USD	146.54	-1.89	3.88
USD per GBP	1.28	0.46	0.54
EGP per USD	48.62	-0.04	57.60
<b>Commodities</b>			
	\$/unit	Change (%)	
		Daily	YTD
Brent crude	76.81	-3.41	-0.30
KEC	80.47	-1.66	1.14
WTI	73.52	-3.66	2.61
Gold	2425.7	-0.38	17.62

Quoted prices/rates collected after close of last trading day (or are most recent available)

Source: Refinitiv / Haver