

International

US: President Donald Trump agreed to delay until December the implementation of 10% tariffs on around half of the \$300 billion in Chinese goods scheduled for September, postponing price rises on mostly consumer-oriented items. But China has still promised to retaliate to the initial tariff hike, having already seen its currency weaken. Domestic US economic data saw CPI inflation slightly firmer than expected at 1.8% y/y (core 2.2%) in July, while retail sales growth was also strong at 3.7% y/y ex-autos. Non-consumer-related data was less positive, with industrial production growth at just 0.5% y/y and manufacturing – directly exposed to global trade – worst hit, though the Philly Fed and Empire State surveys point to somewhat encouraging signs for August.

Other: German GDP contracted 0.1% q/q in 2Q19, a marked deterioration from the +0.4% of Q1 due mostly to weaker external trade. Indeed the latest ZEW survey showed German economic sentiment falling to an eight-year low on global trade and Brexit concerns. In emerging markets, the Argentinian peso plunged 20% last week and the country's sovereign rating was downgraded on concerns of a shift in policy direction following primary election results that saw a loss for the economic reform-oriented President Macri.

Financial markets: A turbulent week for markets left the MSCI AC World index down 1.1% amid trade and growth worries. Fears were highlighted by the US 30-year bond yield hitting a record low of below 2% and the brief inversion of the US 10-to-2-year yield curve – often a signal of recession.

Oil: Brent closed up 0.2% w/w at \$58.6/bbl, but oil prices remain subject to demand-side anxieties: the IEA downgraded world oil demand growth for 2019 and 2020 by 100 kb/d and 50 kb/d, respectively and OPEC warned that oil markets face a "somewhat bearish" outlook despite tightening supplies.

MENA Region

Kuwait: Credit growth eased to 4.8% y/y in June from 6.0% in May due to a base effect following a large rise a year earlier (on financing of a major oil and gas project). Within the total, consumer loan growth jumped to 18% y/y following an easing of lending restrictions by the central bank last December. Meanwhile, growth in employment of Kuwaiti nationals was steady at a healthy 4.2% y/y in 1Q19, unchanged from 4Q18.

Growth in public sector hiring, at 4.3%, continued to outpace growth in private sector jobs of 3.6%. Within the latter, the annual rise in self-employment (+1,527) exceeded the rise in private sector employees (+940) for the fifth quarter in a row.

Saudi Arabia: The headline PMI ticked down to a five-month low of 56.6 in July from 57.4 in June. Slower growth in new orders and output were the main reasons. Aramco plans to secure a foothold in India's rapidly-growing energy market with the purchase of a 20% stake (\$15 billion) in Reliance Industries' oils-to-chemicals business, which also includes the world's biggest oil refinery. The deal will also see Reliance purchase of 0.5 mb/d of Saudi crude on a long-term basis.

UAE: The PMI fell to a four-month low of 55.1 in July from 57.7 in June as growth in new orders, export orders and output decelerated. Consumer prices fell 1.5% y/y in June on subdued demand and base-effects (fading of last year's VAT).

Bahrain: The fiscal deficit narrowed to BD404 million in 1H19 from BD650 million a year earlier, a reduction of almost 38%.

Egypt: Inflation fell to a near four-year low of 8.7% y/y in July, having already dropped sharply to 9.4% in June and to well within the central bank's targeted range of 9% +/-3% by 4Q2020. Recent declines have come despite cuts to fuel and electricity subsidies that had been expected to push prices higher. Meanwhile, the PMI turned positive in July at 50.3 after two consecutive months in contraction territory.

Financial markets: Tracking global trends, the MSCI-GCC fell 0.6% w/w, led by Qatar (-2.2%) and Dubai (-1.5%). Kuwait's All-Share was less affected, down only 0.5%.

Key takeaways:

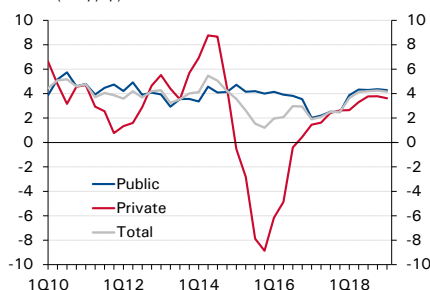
- The US's decision to delay some tariffs on Chinese goods is unlikely to lead to an early resolution of the broader trade dispute or dispel concerns over global growth prospects. The Fed will be under pressure to cut rates again in September.
- Solid growth in jobs for Kuwaiti nationals in Q1 is positive news for the economy and consumer spending in particular. But the composition remains a concern: 83% of the rise was in the public sector, adding to pressure on the public finances.
- Inflation in Egypt continues to surprise on the downside, helped by this year's pound strength and perhaps government initiatives to keep prices down. Soft June-July figures make an interest rate cut by the central bank this week more likely.

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



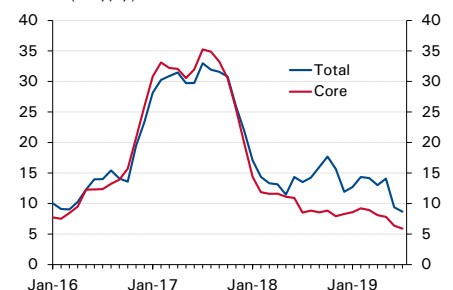
Source: Refinitiv

▶ **Chart 2: Kuwaiti employment** (% y/y)



Source: PIFSS

▶ **Chart 3: Egypt inflation** (% y/y)



Source: Refinitiv

Key data

Stock markets	Index	Change (%)	
		1-week	YTD
International			
CSI 300	3,711	2.1	23.2
DAX	11,563	-1.1	9.5
DJIA	25,886	-1.5	11.0
Eurostoxx 50	3,329	-0.1	10.9
FTSE 100	7,117	-1.9	5.8
Nikkei 225	20,419	-1.3	2.0
S&P 500	2,889	-1.0	15.2
Regional			
Abu Dhabi SM	5,055	-0.8	2.8
Bahrain ASI	1,535	-0.5	14.8
Dubai FM	2,796	-1.5	10.5
Egypt EGX 30	14,295	0.8	9.7
S&P GCC 40	1,193	-0.8	8.5
Kuwait SE	6,075	-0.5	19.6
KSA Tadawul	8,550	0.0	9.2
Muscat SM 30	3,862	0.0	-10.7
Qatar Exchange	9,622	-2.2	-6.6

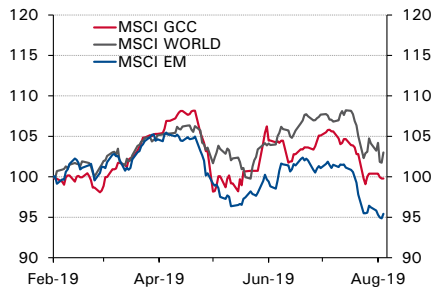
Bond yields	%	Change (bps)	
		1-week	YTD
International			
UST 10 Year	1.54	-19.4	-115.1
Bunds 10 Year	-0.68	-10.0	-92.6
Gilts 10 Year	0.47	-1.9	-80.4
JGB 10 Year	-0.23	-1.5	-23.5
Regional			
Abu Dhabi 2022	2.04	-6.8	-125.5
Dubai 2022	2.64	-13.3	-129.1
Qatar 2022	2.09	-4.8	-135.8
Kuwait 2022	2.04	-8.8	-127.8
KSA 2023	2.37	11.8	-151.0
Commodities			
	\$/unit	Change (%)	
		1-week	YTD
Brent crude	58.6	0.2	9.0
KEC	69.2	3.1	32.6
WTI	54.9	0.7	20.8
Gold	1512.5	1.1	18.3

Interbank rates	%	Change (bps)	
		1-week	YTD
Bhibor - 3 month	3.07	0.0	-88.3
Kibor - 3 month	2.81	-6.3	50.0
Qibor - 3 month	2.79	2.0	-11.6
Eibor - 3 month	2.45	-1.2	-38.9
Saibor - 3 month	2.49	0.0	-48.2
Libor - 3 month	2.12	-5.7	-68.4
Exchange rates			
	rate	Change (%)	
		1-week	YTD
KWD per USD	0.304	0.1	0.3
KWD per EUR	0.338	-0.4	-2.9
USD per EUR	1.109	-1.0	-3.3
JPY per USD	106.4	0.7	-2.9
GBP per USD	1.215	1.0	-4.8
EGP per USD	16.53	0.2	-7.4

Updated on 16/8/2019 Source: Refinitiv

International equity markets

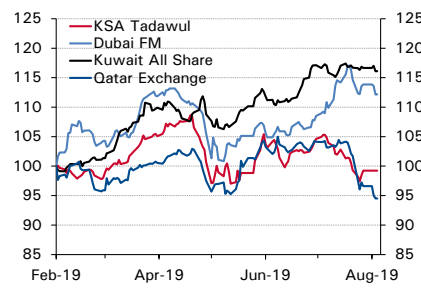
(rebased, 13 February 2019=100)



Source: Refinitiv

GCC equity markets

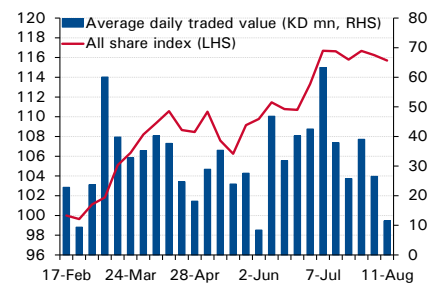
(rebased, 13 February 2019=100)



Source: Refinitiv

Boursa Kuwait

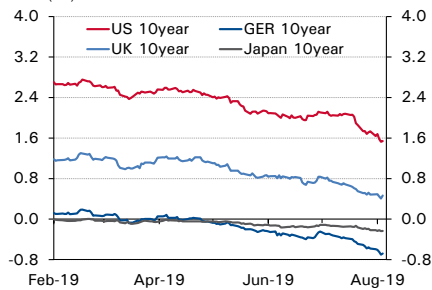
(equity prices and trading activity)



Source: Refinitiv

International bond yields

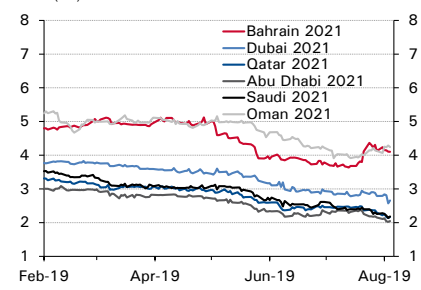
(%)



Source: Refinitiv

GCC bond yields

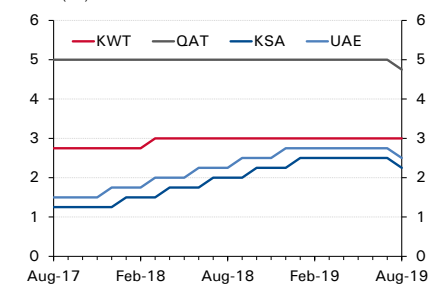
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv